

REDTONE DIGITAL BERHAD
(Company No. 200201028701 (596364-U))
(Incorporated in Malaysia)

Date: 21 February 2023

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022**

<u>Table of Contents</u>	Page
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Unaudited Interim Financial Report	5 - 7
Additional Information Required by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad	8 - 10

REDTONE DIGITAL BERHAD
(Company No. 200201028701 (596364-U))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		11,554	4,757
Right-of-use assets		1,896	3,336
Investment properties		1,180	1,180
Intangible assets		12,480	11,760
Other investments		50,602	38,360
Deferred tax assets		594	594
		<u>78,729</u>	<u>60,410</u>
Current Assets			
Inventories		415	476
Trade and other receivables	A12	39,356	44,733
Contract assets		101,272	63,547
Tax recoverable		881	476
Short term investments		77,524	50,007
Cash and bank balances		33,643	78,318
		<u>253,091</u>	<u>237,557</u>
TOTAL ASSETS		331,820	297,967
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	A7(a)	149,813	149,813
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		104,633	73,949
		<u>248,793</u>	<u>218,109</u>
Non-controlling interests		4,338	5,280
Total Equity		253,131	223,389
Non-current Liabilities			
Loans and borrowings	B8	1,161	1,213
Lease liabilities		532	1,076
		<u>1,693</u>	<u>2,289</u>
Current Liabilities			
Trade and other payables	A13	55,255	59,795
Contract liabilities		15,722	6,223
Loans and borrowings	B8	99	97
Lease liabilities		1,428	2,568
Provision for taxation		4,492	3,606
		<u>76,996</u>	<u>72,289</u>
Total Liabilities		78,689	74,578
TOTAL EQUITY AND LIABILITIES		331,820	297,967
Net assets per share (sen)		<u>32.19</u>	<u>28.22</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022.

The annexed notes form an integral part of this interim financial report.

REDTONE DIGITAL BERHAD
(Company No. 200201028701 (596364-U))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended		6 months ended	
		31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
REVENUE		53,590	40,393	95,643	78,915
PROFIT FROM OPERATIONS		13,877	12,747	26,146	25,211
Investment related income		10,971	3,441	16,121	3,726
Investment related expenses		-	-	-	(8)
Finance costs	A11	(101)	(274)	(267)	(563)
PROFIT BEFORE TAX	B7	24,747	15,914	42,000	28,366
INCOME TAX EXPENSE	B6	(4,035)	(4,019)	(7,590)	(7,558)
PROFIT AFTER TAX		20,712	11,895	34,410	20,808
Other comprehensive item, net of tax <u>Item that will not be reclassified subsequently to profit or loss</u>					
Net changes in fair value of investments at fair value through other comprehensive income		7,219	587	9,245	858
Total comprehensive income for the financial period		27,931	12,482	43,655	21,666
<u>Profit/(loss) attributable to:-</u>					
Owners of the Company		21,400	10,980	35,352	19,017
Non-controlling interests		(688)	915	(942)	1,791
		20,712	11,895	34,410	20,808
<u>Total comprehensive income attributable to:-</u>					
Owners of the Company		28,619	11,567	44,597	19,875
Non-controlling interests		(688)	915	(942)	1,791
		27,931	12,482	43,655	21,666
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	2.76	1.42	4.57	2.46

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022.

The annexed notes form an integral part of this interim financial report.

REDTONE DIGITAL BERHAD
(Company No. 200201028701 (596364-U))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Foreign exchange reserve	Revaluation reserve	FVTOCI reserve	Distributable Retained profits	Total	Non- controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2022	149,813	(5,653)	(663)	641	19,751	54,220	218,109	5,280	223,389
Total comprehensive income	-	-	-	-	9,245	35,352	44,597	(942)	43,655
Transaction with owners:									
- Dividend paid	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
At 31 December 2022	149,813	(5,653)	(663)	641	28,996	75,659	248,793	4,338	253,131
At 1 July 2021	149,813	(5,653)	(663)	641	5,846	28,675	178,659	4,262	182,921
Total comprehensive income	-	-	-	-	858	19,017	19,875	1,791	21,666
Transaction with owners:									
- Dividend paid	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
At 31 December 2021	149,813	(5,653)	(663)	641	6,704	33,779	184,621	6,053	190,674

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022.

The annexed notes form an integral part of this interim financial report.

REDTONE DIGITAL BERHAD
(Company No. 200201028701 (596364-U))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31 Dec 2022	31 Dec 2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	63,172	94,512
Payment for operating expenses	(59,986)	(47,215)
Net tax payment	(7,109)	(5,723)
Other payments	(22)	(78)
Net cash (used in)/generated from operating activities	<u>(3,945)</u>	<u>41,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	-	11
Increase in deposits and short term investments	(14,219)	(34,237)
Proceed from disposal of short term investment	3,120	-
Acquisition of quoted shares	(2,997)	-
Acquisition of property, plant and equipment	(7,081)	(610)
Acquisition of intangible asset	(3,660)	-
Interest received	549	332
investment income received	-	3,137
Dividend received	242	69
Net cash used in investing activities	<u>(24,046)</u>	<u>(31,298)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,907)	(3,682)
Repayment of bank borrowings and other loans	(50)	(46)
Dividend paid	(13,913)	(13,913)
Interest paid	(267)	(563)
Net cash used in financing activities	<u>(16,137)</u>	<u>(18,204)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(44,128)	(8,006)
OPENING CASH AND CASH EQUIVALENTS	49,377	14,837
CLOSING CASH AND CASH EQUIVALENTS	5,249	6,831
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	28,394	27,754
Cash in hand and at banks	5,249	6,831
	<u>33,643</u>	<u>34,585</u>
Less:		
Deposits pledged to licensed banks	(28,394)	(27,754)
	<u>5,249</u>	<u>6,831</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2022.

The annexed notes form an integral part of this interim financial report.

REDTONE DIGITAL BERHAD
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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

A1. Basis of preparation

The condensed consolidated interim financial report is not audited and has been prepared in compliance with MFRS 134, Interim Financial Reporting Standards in Malaysia, International Accounting Standards 34 - Interim Financial Reporting, the Companies Act 2016 in Malaysia and applicable disclosure provision of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2022. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions which are significant for understanding the changes in the financial position and performance of the Group since the end of the last annual reporting period.

A2. Changes in accounting policies

The accounting policies and method of computation adopted in the preparation of the interim financial report are consistent with those adopted in the audited financial statements for the previous financial year.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning 1 July 2022. The initial application of these MFRSs, Amendments to MFRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impact to the financial statements of the Group upon their first adoption.

A3. Nature and amount of unusual items

There were no unusual items during the financial period under review.

A4. Changes in estimates

There were no material changes in estimate of amount reported in the prior financial period which have a material effect in the current interim period.

A5. Changes in the composition of the group

There were no changes in the composition of the Group during the period under review.

A6. Seasonality or cyclicity of interim operations

The Group's operations are not significantly affected by any seasonal or cyclical factors.

A7. Debt and equity securities

There were no issuances and repayment of debt and equity securities, share buy-back and share cancellation for the quarter ended 31 December 2022:

(a) Share capital

	Number of Ordinary Shares	RM
Share capital as at 1 July 2022/31 December 2022	<u>782,453,885</u>	<u>149,812,475</u>

(b) Share buy-back

There was no share buy back transacted during the quarter ended 31 December 2022 and the number of treasury shares held in hand as at 31 December 2022 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 December 2022	0.595	9,502,000	5,653

As at 31 December 2022, the number of outstanding shares in issue with voting rights was 772,951,885 (30 June 2022: 772,951,885) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 31 Dec 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Performance bonds in favour of various government and statutory bodies and private companies	16,445	38,707

A9. Dividends paid

An interim dividend of 1.8 sen per share amounting to RM13.913 million in respect of the financial year ended 30 June 2022 was paid on 22 November 2022 (Period ended 31 December 2021: 1.8 sen per share).

A10. Segment information

The segment information for the reportable segments by line of business for the period ended 31 December 2022 are as follows:-

	Year to date 31 Dec 2022 RM'000
<u>Revenue</u>	
Telecommunication services	51,182
Managed telecommunication network services ("MTNS")	41,768
Industry digital services	2,693
Total revenue	95,643
<u>Results</u>	
Telecommunication services	16,081
MTNS	13,359
Industry digital services	(2,257)
	27,183
Indirect corporate expenses	(1,037)
Profit from operations	26,146
Investment related income	16,121
Finance costs	(267)
Profit before tax	42,000
Income tax expense	(7,590)
Profit after tax	34,410

A11. Finance costs

	3 months ended		6 months ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- term loans	15	16	31	33
- lease liabilities	39	117	90	256
- others	20	20	37	37
Bank guarantee fee	27	121	109	237
	101	274	267	563

A12. Trade and other receivables

Trade receivables mainly consist of progress billings for government projects for MTNS, which includes building, maintaining and operating large scale Wifi hotspots, radio access network infrastructure and fibre optic infrastructure.

Receivables of the Group are as follows:

	As at 31 Dec 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Trade receivables	16,980	37,941
Other receivables		
- Third parties, associates and sundry receivables	18,628	2,922
- Deposits	2,246	2,223
- Prepayments	1,502	1,647
	22,376	6,792
Total	39,356	44,733

A13. Trade and other payables

Payables of the Group are as follows:

	As at 31 Dec 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Trade payables	40,469	45,506
Other payables		
- Provision for Universal Service Fund Contribution	6,467	6,122
- Accruals	5,314	4,833
- Deposits payable	1,783	1,796
- Sundry payables	1,222	1,538
	<u>14,786</u>	<u>14,289</u>
Total	<u>55,255</u>	<u>59,795</u>

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B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD (ACE MARKET) LISTING REQUIREMENTS

B1. Review of group performance for the quarter ended 31 December 2022

	3 months ended		%	6 months ended		%
	31 Dec 2022	31 Dec 2021		31 Dec 2022	31 Dec 2021	
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	53,590	40,393	32.67	95,643	78,915	21.20
Profit from operations	13,877	12,747	8.86	26,146	25,211	3.71
Profit before tax	24,747	15,914	55.50	42,000	28,366	48.06

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM53.59 million which was 32.67% higher than RM40.39 million reported in the previous year corresponding quarter resulting from higher revenue registered by the MTNS segment.

The Group posted a profit before tax for the current quarter of RM24.75 million, which was 55.50% higher than RM15.91 million reported in the previous year corresponding quarter resulting mainly from fair value gain on short term investment.

Review of results for the 6-month period

For the 6-month period under review, the Group reported a revenue of RM95.64 million which was 21.20% higher than RM78.92 million reported in the previous year corresponding period mainly due to higher revenue contributed by MTNS segment.

The Group posted a profit before tax for the current period of RM42.00 million which was 48.06% higher than the RM28.37 million reported in the previous year corresponding period mainly due to fair value gain on short term investment.

B2. Review of results of second quarter vs first quarter for the financial year ending 30 June 2023

	3 months ended		%
	31 Dec 2022	30 Sep 2022	
	RM'000	RM'000	+ / (-)
Revenue	53,590	42,053	27.43
Profit from operations	13,877	12,269	13.11
Profit before tax	24,747	17,253	43.44

Commentary on revenue

The Group reported a revenue of RM53.59 million in this current quarter which was 27.43% higher than RM42.05 million reported in the preceding quarter resulting from higher revenue contributed by the MTNS segment

Commentary on results

The Group reported a profit before tax of RM24.75 million which was 43.44% higher than the RM17.25 million registered in the preceding quarter mainly due to fair value gain on short term investment.

B3. Prospects and business outlook

The Board of Directors is of the view that the business and operating performance of the Group for the remaining quarters will be challenging and competitive especially for telecommunication services segment, due to intense competition in telecommunication industry. The Group will continue to adopt measures to improve operational efficiencies and profitability in its core businesses. The management expects that the MTNS segment will increase its contribution to the Group while data services for enterprise market would continue to be the main focus in recurring businesses.

B4. Profit forecast

No profit forecast was announced.

B5. Corporate proposal

On 2 November 2022, the Company announced its proposed transfer of the listing of its entire share capital from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad. The said proposal is pending approval of the relevant authorities.

B6. Income tax expense

	3 months ended		6 months ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(4,035)	(4,019)	(7,590)	(7,558)

The disproportionate tax charge of the Group for the current quarter was mainly due to non-taxable income.

B7. Profit before tax

	3 months ended		6 months ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	112	103	231	190
Amortisation of intangible asset	1,470	-	2,940	12
Amortisation of development cost	-	-	-	20
Depreciation of property, plant and equipment	143	452	282	918
Depreciation of right-of-use assets	812	1,746	1,663	3,497
(Gain)/loss on foreign exchange	(169)	4	(208)	5
Write back of doubtful debts on:				
- trade receivables	(101)	(7)	(166)	(166)
Provision for Universal Service Fund Contribution	328	281	537	562
Expenses relating to leases				
- short term leases	210	179	417	383
- leases of low value assets	37	43	78	90
Staff cost:				
- salaries, bonus, wages and allowances	5,950	5,795	12,308	11,590
- defined contribution plan	746	695	1,512	1,387
- net (write back)/provision of annual leave	(96)	(189)	(319)	189
Interest income	(239)	(214)	(590)	(410)
Fair value gain on short term investment	(10,537)	-	(15,177)	-
Investment income	-	(3,137)	-	(3,137)
Other income	(193)	(98)	(353)	(571)

There were no disposal of quoted or unquoted investments or properties and gain or loss on derivatives included in the results of the current period.

B8. Loans and borrowings

Loans and borrowings of the Group are as follows:

	As at 31 Dec 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	99	97
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,161	1,213
Total	1,260	1,310

B9. Material litigation

There is no material litigation since the last annual reporting date up to the date of this announcement.

B10. Dividend

No dividend declared in respect of the current quarter under review.

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended		6 months ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Profit attributable to owners of the Company	21,400	10,980	35,352	19,017
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	772,952	772,952	772,952
Basic earnings per share (sen)	<u>2.76</u>	<u>1.42</u>	<u>4.57</u>	<u>2.46</u>

There are no potential ordinary shares outstanding as at 31 December 2022. As such, the fully diluted earnings per share of the Group is not presented.