

REDTONE DIGITAL BERHAD

Registration Number: 200201028701 (596364-U)

Date: 16 November 2023

Subject: **UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR
THE PERIOD ENDED 30 SEPTEMBER 2023**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended	
		30 Sep 2023 RM'000	30 Sep 2022 RM'000
REVENUE		55,182	42,053
PROFIT FROM OPERATIONS		11,412	12,269
Investment related income		847	5,150
Investment related expenses		(6,074)	-
Finance costs	A11	(860)	(166)
PROFIT BEFORE TAX	B7	5,325	17,253
INCOME TAX EXPENSE	B6	(2,087)	(3,555)
PROFIT AFTER TAX		3,238	13,698
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		5,522	2,026
Total comprehensive income for the period		8,760	15,724
<u>Profit/(loss) attributable to:-</u>			
Owners of the Company		2,717	13,952
Non-controlling interests		521	(254)
		3,238	13,698
<u>Total comprehensive income/(loss) attributable to:-</u>			
Owners of the Company		8,239	15,978
Non-controlling interests		521	(254)
		8,760	15,724
<u>Earnings per share attributable to owners of the parent (sen per share):</u>			
- Basic, for the period	B11	0.35	1.81

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Sep 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		18,960	18,678
Right-of-use assets		3,150	2,176
Investment properties		1,200	1,200
Intangible assets		24,367	32,145
Other investments		97,204	33,988
Deferred tax assets		3,155	3,155
		<u>148,459</u>	<u>91,765</u>
Current Assets			
Inventories		319	518
Trade and other receivables	A12	84,559	97,684
Contract assets		65,168	46,301
Tax recoverable		2,717	2,855
Short term investments		70,959	70,000
Cash and bank balances		47,139	116,989
		<u>270,861</u>	<u>334,347</u>
TOTAL ASSETS		<u>419,320</u>	<u>426,112</u>
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		98,510	109,595
		<u>242,670</u>	<u>253,755</u>
Non-controlling interests		3,515	2,994
Total Equity		<u>246,185</u>	<u>256,749</u>
Non-current Liabilities			
Loans and borrowings	B8	1,086	1,112
Lease liabilities		2,428	1,547
Other payables	A13	23,056	23,056
Deferred tax liabilities		180	5,255
		<u>26,750</u>	<u>30,970</u>
Current Liabilities			
Trade and other payables	A13	90,158	83,537
Contract liabilities		48,907	49,758
Loans and borrowings	B8	103	102
Lease liabilities		1,075	1,228
Provision for taxation		6,142	3,768
		<u>146,385</u>	<u>138,393</u>
Total Liabilities		<u>173,135</u>	<u>169,363</u>
TOTAL EQUITY AND LIABILITIES		<u>419,320</u>	<u>426,112</u>
Net assets per share (sen)		<u>31.40</u>	<u>32.83</u>

The net assets per share is calculated based on the following:

Total equity less non-controlling interests divided by the number of ordinary shares in issue with voting rights.

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REDTONE DIGITAL BERHAD

Registration Number: 200201028701 (596364-U)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
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 2023	149,813	(5,653)	(662)	641	8,530	101,086	253,755	2,994	256,749
Profit for the year	-	-	-	-	-	2,717	2,717	521	3,238
Other comprehensive income	-	-	-	-	5,522	-	5,522	-	5,522
Total comprehensive income	-	-	-	-	5,522	2,717	8,239	521	8,760
Transaction with owners:									
- Dividend payable	-	-	-	-	-	(19,324)	(19,324)	-	(19,324)
At 30 September 2023	149,813	(5,653)	(662)	641	14,052	84,479	242,670	3,515	246,185
At 1 July 2022	149,813	(5,653)	(663)	641	19,751	54,220	218,109	5,280	223,389
Profit for the year	-	-	-	-	-	13,952	13,952	(254)	13,698
Other comprehensive income	-	-	-	-	2,026	-	2,026	-	2,026
Total comprehensive income	-	-	-	-	2,026	13,952	15,978	(254)	15,724
Transaction with owners:									
- Dividend payable	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
At 30 September 2022	149,813	(5,653)	(663)	641	21,777	54,259	220,174	5,026	225,200

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	3 months ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	45,080	30,656
Payment for operating expenses	(51,577)	(27,212)
Net tax payment	(4,650)	(4,048)
Other receipts/(payments)	29	(22)
Net cash used in operating activities	(11,118)	(626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deposits and short term investments	(7,125)	(37,712)
Proceed from disposal of quoted shares	7,007	-
Acquisition of quoted shares	(57,694)	-
Acquisition of property, plant and equipment	(1,239)	(10)
Acquisition of intangible assets	-	(3,660)
Interest received	735	331
Dividend received	150	104
Net cash used in investing activities	(58,166)	(40,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(441)	(975)
Repayment of bank borrowings and other loans	(25)	(24)
Placement of deposits with licensed bank not available for use	(159)	(96)
Interest paid	(100)	(166)
Net cash used in financing activities	(725)	(1,261)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(70,009)	(42,834)
OPENING CASH AND CASH EQUIVALENTS	88,506	50,363
CLOSING CASH AND CASH EQUIVALENTS	18,497	7,529
The closing cash and cash equivalents comprise of the following:		
Deposits with financial institutions	33,976	28,051
Cash in hand and at banks	13,163	7,529
	47,139	35,580
Less:		
Deposits pledged to financial institutions	(28,642)	(28,051)
	18,497	7,529

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
NOTES TO THE INTERIM FINANCIAL REPORT

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 2023. 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 2023.

The initial application of the 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 current quarter under review.

A4. Changes in estimates

There were no material changes in estimate of amount reported in the prior financial year which have a material effect in the current financial period ended 30 September 2023.

A5. Changes in the composition of the group

There were no changes in the composition of the Group for the current financial period ended 30 September 2023.

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 financial period ended 30 September 2023:

(a) Share capital

	Number of Ordinary Shares	RM
Share capital as at 1 July 2023/30 September 2023	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the financial period ended 30 September 2023 and the number of treasury shares held in hand as at 30 September 2023 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 30 September 2023	0.595	9,502,000	5,653

As at 30 September 2023, the number of outstanding shares in issue with voting rights was 772,951,885 (30 June 2023: 772,951,885) ordinary shares.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A8. Contingent liability and performance bond

(a) There is no contingent liability as at 30 September 2023 (30 June 2023: Nil).

(b) Bank guarantees of the Group are as follows:

	As at 30 Sep 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
Performance bonds in favour of various government and statutory bodies and private companies	153,632	153,632

A9. Dividends paid

There was no dividend paid during the period under review (Period ended 30 September 2022: RM Nil).

A10. Segment information

The segment information for the reportable segments by line of business for the financial period ended 30 September 2023 are as follows:-

	Year to date 30 Sep 2023 RM'000
<u>Revenue</u>	
Telecommunication services	26,784
Managed telecommunication network services ("MTNS")	27,475
Cloud and Internet of Things	923
Total revenue	55,182
<u>Results</u>	
Telecommunication services	6,296
MTNS	6,939
Cloud and Internet of Things	(1,185)
	12,050
Indirect corporate expenses	(638)
Profit from operations	11,412
Investment related income	847
Investment related expenses	(6,074)
Finance costs	(860)
Profit before tax	5,325
Income tax expense	(2,087)
Profit after tax	3,238

A11. Finance costs

	3 months ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Interest expense on:		
- term loans	16	16
- lease liabilities	59	51
- others	777	17
Bank guarantee fee	8	82
	860	166

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
NOTES TO THE INTERIM FINANCIAL REPORT

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 telco engineering projects, Wi-Fi hotspots, base stations and fiber optic infrastructure.

Receivables of the Group are as follows:

	As at 30 Sep 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
Trade receivables	41,754	51,330
Other receivables		
- Third parties, associates and sundry receivables	3,805	11,110
- Deposits	2,033	2,061
- Prepayments	36,967	33,183
	<u>42,805</u>	<u>46,354</u>
Total	<u>84,559</u>	<u>97,684</u>

A13. Trade and other payables

Payables of the Group are as follows:

	As at 30 Sep 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
Non-current		
Other payables		
- Sundry payables	23,056	23,056
Current		
Trade payables	30,927	45,562
Other payables		
- Provision for Universal Service Fund Contribution	7,007	7,010
- Accruals	6,139	4,823
- Deposits payable	1,738	1,740
- Dividend payable	19,324	-
- Sundry payables	25,023	24,402
	<u>59,231</u>	<u>37,975</u>
Total	<u>90,158</u>	<u>83,537</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES LR

B1. Review of group performance for the quarter ended 30 June 2023

	3 months ended		%
	30 Sep 2023	30 Sep 2022	
	RM'000	RM'000	+ / (-)
Revenue	55,182	42,053	31.22
Profit from operations	11,412	12,269	-6.99
Profit before tax	5,325	17,253	-69.14

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM55.18 million which was 31.22% higher than RM42.05 million reported in the previous year corresponding quarter due to higher revenue registered by the MTNS segment.

The Group posted a profit from operations for the current quarter of RM11.41 million, which was 6.99% lower than RM12.27 million reported in the previous year corresponding quarter due to higher general and administrative expenses.

The Group's posted a profit before tax for the current quarter of RM5.33 million, which was 69.14% lower than RM17.25 million reported in the previous year corresponding quarter. The lower profit before tax was mainly due to the fair value loss of RM6.08 million from investment at FVTPL category, whereas the Group recorded a fair value gain of RM4.64 million in the previous year corresponding quarter.

B2. Review of results of current quarter vs preceding quarter

	3 months ended		%
	30 Sep 2023	30 June 2023	
	RM'000	RM'000	+ / (-)
Revenue	55,182	70,865	-22.13
Profit from operations	11,412	12,096	-5.65
Profit before tax	5,325	15,981	-66.68

Commentary on revenue

The Group reported a revenue of RM55.18 million in this current quarter which was 22.13% lower than RM70.87 million reported in the preceding quarter due to lower revenue contributed by the MTNS segment.

Commentary on results

Despite a 22.13% decrease in revenue, the profit from operations only experienced a marginal 5.65% decline. This was primarily attributed to a higher gross profit contributed by the telecommunication services segment.

The lower profit before tax was mainly due to the fair value loss of RM6.08 million from investment at FVTPL category, whereas the Group recorded a fair value gain of RM6.21 million in the preceding quarter.

B3. Prospects and business outlook

The Board of Directors foresees that the business outlook for the remaining quarters will be challenging and competitive especially for the telecommunication services segment, due to the intense competition in the telecommunication industry. Nevertheless, the Group will remain cautiously optimistic and aim to maintain its profitability by improving its operational efficiency and adopt measures to enhance 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

There are no corporate proposal for the current quarter under review.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES LR

B6. Income tax expense

	3 months ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax	(7,162)	(3,555)
Deferred tax		
- Origination and reversal of temporary differences	5,075	-
Total	(2,087)	(3,555)

The disproportionate tax charge of the Group for the current quarter was mainly due to investment related expenses being disallowed for tax purposes and the non-availability of Group tax relief in respect of losses incurred by certain subsidiary companies.

B7. Profit before tax

	3 months ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Profit before tax is arrived at after charging/(crediting):-		
Amortisation of intangible asset	7,778	1,470
Depreciation of:		
- property, plant and equipment	939	139
- right-of-use assets	196	851
Impairment of property, plant and equipment	14	-
Property, plant and equipment written off	4	-
Loss/(gain) on foreign exchange	67	(39)
Write back of doubtful debts on trade receivables	(39)	(65)
Expenses relating to leases		
- short term leases	217	207
- leases of low value assets	39	41
Interest income	(676)	(351)
Dividend income	(150)	(138)
Fair value loss/(gain) on short term investments	6,074	(4,640)
	6,074	(4,640)

There were no disposal of 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 30 Sep 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	103	102
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,086	1,112
Total	1,189	1,214

UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2023
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES LR

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 (Quarter ended 30 September 2022: Nil).

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended	
	30 Sep 2023	30 Sep 2022
	RM'000	RM'000
Profit attributable to owners of the Company	2,717	13,952
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	772,952
Basic earnings per share (sen)	<u>0.35</u>	<u>1.81</u>

There are no potential ordinary shares outstanding as at 30 September 2023. As such, the fully diluted earnings per share of the Group is not presented.