

# **REDTONE INTERNATIONAL BERHAD**

(Company No: 200201028701 (596364-U))

(Incorporated in Malaysia)

Date : 19 November 2020

## **UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

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**REDTONE INTERNATIONAL BERHAD**  
(Company No: 200201028701 (596364-U))

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	As at 30 Sep 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill		423	423
Property, plant and equipment		10,881	12,073
Right-of-use assets		10,009	11,447
Investment properties		1,188	600
Intangible assets		50	63
Development costs		79	98
Other investments		14,717	8,481
Deferred tax assets		2,524	2,524
		<u>39,871</u>	<u>35,709</u>
<b>Current Assets</b>			
Inventories		617	547
Trade and other receivables	A12	64,618	62,054
Contract assets		54,566	52,298
Tax recoverable		77	29
Short term investments		54,430	58,605
Cash and bank balances		41,820	44,039
		<u>216,128</u>	<u>217,572</u>
<b>TOTAL ASSETS</b>		<b><u>255,999</u></b>	<b><u>253,281</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	A7(a)	149,813	149,813
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		8,080	16,130
		<u>152,240</u>	<u>160,290</u>
Non-controlling interests		1,581	1,417
<b>Total Equity</b>		<b><u>153,821</u></b>	<b><u>161,707</u></b>
<b>Non-current Liabilities</b>			
Loans and borrowings	B8	1,395	1,417
Lease liabilities		4,196	5,393
		<u>5,591</u>	<u>6,810</u>
<b>Current Liabilities</b>			
Trade and other payables	A13	78,032	66,054
Contract liabilities		11,399	11,769
Loans and borrowings	B8	88	88
Lease liabilities		5,501	5,770
Provision for taxation		1,567	1,083
		<u>96,587</u>	<u>84,764</u>
<b>Total Liabilities</b>		<b><u>102,178</u></b>	<b><u>91,574</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>255,999</u></b>	<b><u>253,281</u></b>
Net assets per share (sen)		<u>19.70</u>	<u>20.74</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 2020.

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

**REDTONE INTERNATIONAL BERHAD**  
(Company No: 200201028701 (596364-U))

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	3 months ended	
		30 Sep 2020 RM'000	30 Sep 2019 RM'000
GROUP REVENUE		36,203	56,906
PROFIT FROM OPERATIONS		7,597	10,738
Investment related income		560	110
Finance costs	A11	(211)	(213)
Share of result of associate		-	(11)
PROFIT BEFORE TAX	B7	7,946	10,624
INCOME TAX EXPENSE	B6	(2,119)	(1,773)
PROFIT AFTER TAX		5,827	8,851
Other comprehensive items, 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		240	-
<b>Total comprehensive income for the financial period</b>		<b>6,067</b>	<b>8,851</b>
<u>Profit attributable to:-</u>			
Owners of the Company		5,663	8,068
Non-controlling interests		164	783
		<b>5,827</b>	<b>8,851</b>
<u>Total comprehensive income attributable to:-</u>			
Owners of the Company		5,903	8,068
Non-controlling interests		164	783
		<b>6,067</b>	<b>8,851</b>
<u>Earnings per share attributable to owners of the parent (sen per share):</u>			
- Basic, for the period	B11	0.73	1.05

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 2020.

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

**REDTONE INTERNATIONAL BERHAD**  
(Company No: 200201028701 (596364-U))

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	ICULS - equity component	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	RM'000
<b>At 1 July 2020</b>	149,813	-	(5,653)	(663)	641	(150)	16,302	160,290	1,417	161,707
Total comprehensive income	-	-	-	-	-	240	5,663	5,903	164	6,067
Transactions with owners:										
- Dividend paid to non-controlling interest	-	-	-	-	-	-	(40)	(40)	-	(40)
- Dividend payable	-	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
	-	-	-	-	-	-	(13,953)	(13,953)	-	(13,953)
<b>At 30 September 2020</b>	<b>149,813</b>	<b>-</b>	<b>(5,653)</b>	<b>(663)</b>	<b>641</b>	<b>90</b>	<b>8,012</b>	<b>152,240</b>	<b>1,581</b>	<b>153,821</b>
<b>At 1 July 2019</b>	147,587	2,226	(5,653)	(663)	641	-	17,184	161,322	(690)	160,632
Total comprehensive income	-	-	-	-	-	-	8,068	8,068	783	8,851
Transaction with owners:										
- Issuance of shares pursuant to conversion of ICULS	81	(81)	-	-	-	-	-	-	-	-
<b>At 30 September 2019</b>	<b>147,668</b>	<b>2,145</b>	<b>(5,653)</b>	<b>(663)</b>	<b>641</b>	<b>-</b>	<b>25,252</b>	<b>169,390</b>	<b>93</b>	<b>169,483</b>

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 2020.

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

**REDTONE INTERNATIONAL BERHAD**  
(Company No: 200201028701 (596364-U))

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>3 months ended</b>	
	<b>30 Sep 2020 RM'000</b>	<b>30 Sep 2019 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from operations	27,052	27,065
Payment for operating expenses	(23,044)	(36,527)
Net tax payment	(1,683)	(1,133)
Other payments	(2)	(79)
Net cash generated from/(used in) operating activities	<u>2,323</u>	<u>(10,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in deposits and other investments	4,145	12,505
Acquisition of quoted shares	(7,354)	-
Acquisition of property, plant and equipment	(31)	(44)
Interest received	474	362
Net cash (used in)/generated from investing activities	<u>(2,766)</u>	<u>12,823</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(1,615)	(707)
Repayment of bank borrowings and other loans	(22)	(20)
Dividend paid to non-controlling interest	(40)	-
Interest paid	(211)	(213)
Net cash used in financing activities	<u>(1,888)</u>	<u>(940)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,331)</u>	<u>1,209</u>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<u>5,570</u>	<u>2,708</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>3,239</u>	<u>3,917</u>
<b>Cash and cash equivalents comprise of:</b>		
- Cash on hand and at banks	3,239	3,917
- Deposits with licensed banks	<u>38,582</u>	<u>44,087</u>
<b>Total cash and bank balances</b>	<u>41,821</u>	<u>48,004</u>
Less:		
- Deposits pledged to licensed banks	<u>(38,582)</u>	<u>(44,087)</u>
<b>Total cash and cash equivalents</b>	<u>3,239</u>	<u>3,917</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 2020

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

**REDTONE INTERNATIONAL BERHAD**  
(Company No: 200201028701 (596364-U))

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

**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 2020. 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 financial year ended 30 June 2020.

**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 2020. 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 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 30 September 2020:

(a) Share capital

	<b>Number of Ordinary Shares</b>	<b>RM</b>
Share capital as at 1 July 2020/30 September 2020	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the quarter ended 30 September 2020 and the number of treasury shares held in hand as at 30 September 2020 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
<b>Total treasury shares as at 30 September 2020</b>	0.595	9,502,000	5,653

As at 30 September 2020, the number of outstanding shares in issue with voting rights was 772,951,885 (30 June 2020: 772,951,885) ordinary shares.

**A8. Contingent liability**

Bank guarantees of the Group are as follows:

	As at 30 Sep 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Performance bonds in favour of various customers	28,701	28,193

**A9. Dividends paid**

An interim dividend of 1.8 sen per share in respect of the financial year ended 30 June 2020 was paid on 8 October 2020.

**A10. Segment information**

The segment information for the reportable segments by line of business for the quarter ended 30 September 2020 are as follows:-

	Year to date 30 Sep 2020 RM'000
<u>Revenue</u>	
Telecommunication services	18,814
Managed telecommunication network services ("MTNS")	16,595
Industry digital services	794
Total revenue	36,203
<u>Results</u>	
Telecommunication services	7,671
MTNS	1,235
Industry digital services	(615)
Indirect corporate expenses	8,291
Profit from operations	(694)
Investment related income	7,597
Finance costs	560
Profit before tax	(211)
Income tax expense	7,946
Profit after tax	(2,119)
	5,827

**A11. Finance costs**

	3 months ended	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Interest expense on:		
- ICULS	-	40
- term loans	18	19
- bank guarantee	3	15
- lease liability	173	120
- others	17	19
	211	213

**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 30 Sep 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade receivables	53,530	50,193
Other receivables		
- Third parties, associates and sundry receivables	7,308	7,863
- Deposits receivables	2,306	2,304
- Prepayments	1,474	1,694
	11,088	11,861
Total	<u>64,618</u>	<u>62,054</u>

**A13. Trade and other payables**

Payables of the Group are as follows:

	As at 30 Sep 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade payables	50,548	51,484
Other payables		
- Provision for Universal Service Fund Contribution	6,610	6,298
- Accruals	4,547	3,697
- Deposits payable	1,858	1,904
- Dividend payable	13,913	-
- Sundry payables	556	2,671
	27,484	14,570
Total	<u>78,032</u>	<u>66,054</u>



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

**B1. Review of group performance for the quarter ended 30 September 2020**

	3 months ended		%
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	
Revenue	36,203	56,906	-36.38
Profit from operations	7,597	10,738	-29.25
Profit before tax	7,946	10,624	-25.21

**Review of results for the quarter**

For the quarter under review, the Group reported a revenue of RM36.20 million which was 36.38% lower than the RM56.91 million reported in the previous year corresponding quarter mainly due to lower revenue contributed by MTNS segment.

The Group posted a profit before tax for the current quarter of RM7.95 million, which was 25.21% lower than the RM10.62 million reported in the previous year corresponding quarter mainly due to lower revenue from MTNS segment.

**B2. Review of results of first quarter 2021 vs fourth quarter 2020**

	3 months ended		%
	30 Sep 2020 RM'000	30 Jun 2020 RM'000	
Revenue	36,203	39,317	-7.92
Profit from operations	7,597	18,938	-59.88
Profit/(loss) before tax	7,946	(4,463)	N/A

**Commentary on revenue**

The Group reported a revenue of RM36.20 million in this current quarter under review as compared to RM39.32 million in the preceding quarter. The decrease was mainly due to lower revenue from MTNS segment.

**Commentary on pre-tax profit/(loss)**

The Group reported a profit before tax of RM7.95 million as compared to loss before tax of RM4.46 million in the preceding quarter. The pre-tax loss in the preceding quarter was mainly due to the incurrence of impairment loss on certain spectrum.

**B3. Prospects and business outlook**

The Board of Directors is of the view that the operating performance of the Group for the remaining quarters of the financial year ending 30 June 2021 will be challenging and competitive for the Group. The Group will continue to focus on measures to improve operational efficiencies and profitability in its core businesses. The Board expects the contributions from its MTNS segment will remain significant while data services for enterprise market would continue to be the main focus in extracting growth from recurring businesses.

Economic stimulus packages introduced by the Government helps soften the impact of the COVID-19 pandemic on the country's economy while preserving the welfare of the people. These measures support a gradual normalization of the economic activities in the country until successful containment of the pandemic which has been impacting many businesses. The Board believes technology is the way forward to thrive in this unprecedented crisis. In response to that, REDtone has introduced a few technological solutions to facilitate businesses in their effort on the digital transformation in order to adapt to the rapidly changing business environment and to operate efficiently in a challenging post-COVID-19 pandemic era.

**B4. Profit forecast**

No profit forecast was announced.

**B5. Corporate proposals**

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

**B6. Income tax expense**

	3 months ended	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax	(2,119)	(1,773)

The disproportionate tax charge of the Group for the quarter was mainly due to losses in certain subsidiary companies.

**B7. Profit before tax**

	3 months ended	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Profit before tax is arrived at after charging/(crediting):-		
Audit fee - Statutory audit	83	89
Amortisation of intangible asset	12	12
Amortisation of development cost	20	20
Depreciation of property, plant and equipment	635	755
Depreciation of right-of-use assets	1,586	671
Gain on foreign exchange	(7)	(7)
Allowance for/(writeback of) doubtful debts on:		
- trade receivables	88	(77)
Provision for Universal Service Fund Contribution	311	371
Properties, plant and equipment written off	-	8
Expenses relating to leases		
- short term leases	273	-
- leases of low value assets	44	-
Rental of computers	-	14
Rental of offices	-	52
Staff cost:		
- salaries, bonus, wages and allowances	5,470	6,157
- defined contribution plan	680	740
- net provision of annual leave	130	66
Interest income	(474)	(362)
Other income	(86)	(110)

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 30 Sep 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
<b>Current</b>		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	88	88
<b>Non current</b>		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,395	1,417
Total	1,483	1,505

**B9. Material litigation**

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

**B10. Dividend**

The Board does not recommend any dividend for the current quarter under review.

## B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended	
	30 Sep 2020	30 Sep 2019
	RM'000	RM'000
Profit attributable to owners of the Company	5,663	8,068
Impact on income statement upon conversion of ICULS	-	40
Adjusted net profit attributable to owners of the Company	<u>5,663</u>	<u>8,108</u>
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	749,161
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	-	23,956
Number of shares used in the calculation of basic earnings per share ('000)	<u>772,952</u>	<u>773,117</u>
Basic earnings per share (sen)	<u>0.73</u>	<u>1.05</u>

There are no potential ordinary shares outstanding as at 30 September 2020. As such, the fully diluted earnings per share of the Group is not presented.