

REDTONE DIGITAL BERHAD
(FORMERLY KNOWN AS REDTONE INTERNATIONAL BERHAD)
(Company No. 200201028701 (596364-U))
(Incorporated in Malaysia)

Date: 19 August 2021

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2021**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Jun 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		10,058	12,073
Right-of-use assets		7,942	11,447
Investment properties		1,180	600
Intangible assets		13	63
Development costs		20	98
Other investments		24,455	8,481
Deferred tax assets		2,524	2,524
		<u>46,615</u>	<u>35,709</u>
Current Assets			
Inventories		663	547
Trade and other receivables	A12	58,018	62,054
Contract assets		76,125	52,298
Tax recoverable		506	29
Short term investments		50,002	58,605
Cash and bank balances		42,449	44,039
		<u>227,763</u>	<u>217,572</u>
TOTAL ASSETS		<u>274,378</u>	<u>253,281</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		34,253	16,130
		<u>178,413</u>	<u>160,290</u>
Non-controlling interests		4,352	1,417
Total Equity		<u>182,765</u>	<u>161,707</u>
Non-current Liabilities			
Loans and borrowings	B8	1,317	1,417
Lease liabilities		2,367	5,393
		<u>3,684</u>	<u>6,810</u>
Current Liabilities			
Trade and other payables	A13	74,711	66,054
Contract liabilities		5,531	11,769
Loans and borrowings	B8	92	88
Lease liabilities		5,061	5,770
Provision for taxation		2,534	1,083
		<u>87,929</u>	<u>84,764</u>
Total Liabilities		<u>91,613</u>	<u>91,574</u>
TOTAL EQUITY AND LIABILITIES		<u>274,378</u>	<u>253,281</u>
Net assets per share (sen)		<u>23.08</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.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	3 months ended		12 months ended	
		30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000 (Audited)
GROUP REVENUE		56,621	39,317	177,096	177,906
PROFIT FROM OPERATIONS		12,964	18,938	39,523	47,401
Investment related income		273	139	1,430	-
Investment related expense		(8)	6	(8)	-
Impairment loss on spectrum		-	(21,587)	-	(24,670)
Finance costs	A11	(352)	(597)	(1,007)	(1,513)
Share of result of associate		-	(1,362)	-	(1,527)
PROFIT/(LOSS) BEFORE TAX	B7	12,877	(4,463)	39,938	19,691
INCOME TAX EXPENSE	B6	(4,442)	(2,685)	(11,423)	(10,974)
PROFIT/(LOSS) AFTER TAX		8,435	(7,148)	28,515	8,717
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		483	43	5,996	(150)
Total comprehensive income for the financial period		8,918	(7,105)	34,511	8,567
<u>Profit/(loss) attributable to:-</u>					
Owners of the Company		7,110	(8,038)	26,040	6,610
Non-controlling interests		1,325	890	2,475	2,107
		<u>8,435</u>	<u>(7,148)</u>	<u>28,515</u>	<u>8,717</u>
<u>Total comprehensive income attributable to:-</u>					
Owners of the Company		7,593	(7,995)	32,036	6,460
Non-controlling interests		1,325	890	2,475	2,107
		<u>8,918</u>	<u>(7,105)</u>	<u>34,511</u>	<u>8,567</u>
<u>Earnings/(loss) per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.93	(1.04)	3.37	0.86

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.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2021
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
At 1 July 2020	149,813	-	(5,653)	(663)	641	(150)	16,302	160,290	1,417	161,707
Total comprehensive income	-	-	-	-	-	5,996	26,040	32,036	2,475	34,511
Transactions with owners:										
- Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	500	500
- Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(40)	(40)
- Dividend paid	-	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
	-	-	-	-	-	-	(13,913)	(13,913)	460	(13,453)
At 30 June 2021	149,813	-	(5,653)	(663)	641	5,846	28,429	178,413	4,352	182,765
At 1 July 2019	147,587	2,226	(5,653)	(663)	641	-	17,184	161,322	(690)	160,632
Total comprehensive income	-	-	-	-	-	(150)	6,610	6,460	2,107	8,567
Transactions with owners:										
- Dividend paid	-	-	-	-	-	-	(7,492)	(7,492)	-	(7,492)
- Issuance of shares pursuant to conversion of ICULS	2,226	(2,226)	-	-	-	-	-	-	-	-
	2,226	(2,226)	-	-	-	-	(7,492)	(7,492)	-	(7,492)
At 30 June 2020	149,813	-	(5,653)	(663)	641	(150)	16,302	160,290	1,417	161,707

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.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	12 months ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	157,228	175,202
Payment for operating expenses	(124,277)	(115,266)
Net tax payment	(10,448)	(2,725)
Other payments	(138)	(18)
Net cash generated from operating activities	<u>22,365</u>	<u>57,193</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	1	1
Decrease/(increase) in deposits and short term investments	19,542	(32,984)
Acquisition of quoted shares	(11,336)	(7,273)
Acquisition of property, plant and equipment	(923)	(509)
Interest received	928	1,399
Dividend received	215	29
Net cash generated from/(used in) investing activities	<u>8,427</u>	<u>(39,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings and other loans	-	6,000
Payment of lease liabilities	(6,469)	(5,912)
Repayment of bank borrowings and other loans	(96)	(6,077)
Dividend paid to non-controlling interest	(40)	-
Dividend paid	(13,913)	(7,492)
Interest paid	(1,007)	(1,513)
Net cash used in financing activities	<u>(21,525)</u>	<u>(14,994)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,267	2,862
OPENING CASH AND CASH EQUIVALENTS	5,570	2,708
CLOSING CASH AND CASH EQUIVALENTS	<u>14,837</u>	<u>5,570</u>
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	27,612	38,551
Cash on hand and at banks	14,837	5,488
	<u>42,449</u>	<u>44,039</u>
Less:		
Deposits pledged to licensed banks	(27,612)	(38,469)
	<u>14,837</u>	<u>5,570</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.

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2021

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 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 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 year 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 30 June 2021:

(a) Share capital	Number of Ordinary Shares	RM
Share capital as at 1 July 2020/30 June 2021	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the financial year ended 30 June 2021 and the number of treasury shares held in hand as at 30 June 2021 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 30 June 2021	0.595	9,502,000	5,653

As at 30 June 2021, 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 Jun 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Performance bonds in favour of various customers	38,326	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 year ended 30 June 2021 are as follows:-

	Year to date 30 Jun 2021 RM'000
<u>Revenue</u>	
Telecommunication services	75,656
Managed telecommunication network services ("MTNS")	98,174
Industry digital services	3,266
Total revenue	177,096
<u>Results</u>	
Telecommunication services	30,984
MTNS	14,792
Industry digital services	(2,551)
	43,225
Indirect corporate expenses	(3,702)
Profit from operations	39,523
Investment related income	1,430
Investment related expenses	(8)
Finance costs	(1,007)
Profit before tax	39,938
Income tax expense	(11,423)
Profit after tax	28,515

A11. Finance costs

	3 months ended		12 months ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000 (Audited)
Interest expense on:				
- bank overdrafts	-	-	13	47
- ICULS	-	-	-	104
- term loans	9	24	61	80
- lease liability	139	549	628	868
- others	31	24	87	81
Bank guarantee fee	173	-	218	333
	352	597	1,007	1,513

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 Jun 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade receivables	48,106	50,193
Other receivables		
- Third parties, associates and sundry receivables	5,989	7,863
- Deposits receivables	2,442	2,304
- Prepayments	1,481	1,694
	9,912	11,861
Total	58,018	62,054

A13. Trade and other payables

Payables of the Group are as follows:

	As at 30 Jun 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade payables	59,428	51,484
Other payables		
- Provision for Universal Service Fund Contribution	6,671	6,298
- Accruals	5,852	3,697
- Deposits payable	1,777	1,904
- Sundry payables	983	2,671
	<u>15,283</u>	<u>14,570</u>
Total	<u>74,711</u>	<u>66,054</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 30 June 2021

	3 months ended			12 months ended		
	30 Jun 2021	30 Jun 2020	%	30 Jun 2021	30 Jun 2020	%
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	56,621	39,317	44.01	177,096	177,906	-0.46
Profit from operations	12,964	18,938	-31.55	39,523	47,401	-16.62
Profit/(loss) before tax	12,877	(4,463)	388.53	39,938	19,691	102.82

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM56.62 million which was 44.01% higher than the RM39.32 million reported in the previous year corresponding quarter mainly due to higher revenue contributed by the MTNS segment.

The Group posted a profit before tax for the current quarter of RM12.88 million, compared to loss of RM4.46 million reported in the previous year corresponding quarter. The gross profit was mainly contributed by the MTNS segment. In addition, the results of previous year corresponding quarter included an impairment loss on the 2300 MHz spectrum band amounting to RM21.59 million.

Review of results for the financial year

For the financial year under review, the Group reported a revenue of RM177.10 million which was comparable to the previous year's revenue.

The Group posted a profit before tax for the current year of RM39.94 million which was 102.82% higher than the RM19.69 million pre-tax profit in the previous year. Incidentally, the previous year's results included an impairment loss on the 2300 MHz spectrum band.

B2. Review of results of fourth quarter 2021 vs third quarter 2021

	3 months ended		%
	30 Jun 2021	31 Mar 2021	
	RM'000	RM'000	+ / (-)
Revenue	56,621	44,161	28.21
Profit from operations	12,964	9,690	33.79
Profit before tax	12,877	9,626	33.77

Commentary on revenue

The Group reported a revenue of RM56.62 million in this current quarter under review which was 28.21% higher than the RM44.16 million reported in the preceding quarter mainly due to higher revenue from the MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM12.88 million which was 33.77% higher than the RM9.63 million in the preceding quarter mainly due to higher gross profit from the MTNS segment.

B3. Prospects and business outlook

With the impact of the prolonged COVID-19 pandemic on the economy, the Board of Directors is of the view that the operating performance of the Group for the next financial year ending 30 June 2022 will be challenging and competitive. 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 to remain significant while data services for enterprise market would continue to be the main focus in extracting growth from recurring businesses.

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		12 months ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000 (Audited)
Current income tax:				
Provision in current period				
- Malaysian income tax	(4,442)	(2,685)	(11,588)	(8,275)
Over/(under) provision in prior years	-	-	165	(1,800)
	(4,442)	(2,685)	(11,423)	(10,075)
Deferred tax				
- Origination and reversal of temporary differences	-	-	-	(1,596)
- Over provision of deferred tax in prior years	-	-	-	697
	-	-	-	(899)
Total	(4,442)	(2,685)	(11,423)	(10,974)

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

B7. Profit/(loss) before tax

	3 months ended		12 months ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000 (Audited)
Profit/(loss) before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	155	86	414	355
Amortisation of intangible asset	12	13	50	50
Amortisation of development cost	20	20	79	79
Depreciation of property, plant and equipment	554	726	2,367	2,829
Depreciation of right-of-use assets	1,519	3,772	6,294	6,036
(Gain)/loss on foreign exchange	(28)	2	34	-
(Writeback of)/allowance for doubtful debts on:				
- trade receivables	(118)	399	21	337
Provision for Universal Service Fund Contribution	264	263	1,216	1,314
Properties, plant and equipment written off	-	35	-	43
Expenses relating to leases				
- short term leases	221	-	887	1,521
- leases of low value assets	54	-	183	206
Staff cost:				
- salaries, bonus, wages and allowances	5,891	967	22,630	18,362
- defined contribution plan	668	82	2,705	2,143
- net provision of annual leave	141	50	219	54
Interest income	(105)	(414)	(1,139)	(1,636)
Other income	(402)	(140)	(548)	(222)

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 Jun 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	92	88
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,317	1,417
Total	1,409	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 has declared an interim dividend of 1.8 sen per share (previous financial year ended 30 June 2020: 1.8 sen per share) in respect of the financial year ended 30 June 2021 and payable on 18 November 2021. The entitlement date has been fixed on 1 November 2021.

B11. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated as follows:

	<u>3 months ended</u>		<u>12 months ended</u>	
	<u>30 Jun 2021</u>	<u>30 Jun 2020</u>	<u>30 Jun 2021</u>	<u>30 Jun 2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit/(loss) attributable to owners of the Company	7,110	(8,038)	26,040	6,610
Weighted average number of ordinary shares in issue with voting rights ('000)	<u>772,952</u>	<u>772,952</u>	<u>772,952</u>	<u>772,952</u>
Basic earnings/(loss) per share (sen)	<u>0.93</u>	<u>(1.04)</u>	<u>3.37</u>	<u>0.86</u>

There are no potential ordinary shares outstanding as at 30 June 2021. As such, the fully diluted earnings per share of the Group is not presented.