

# **REDTONE DIGITAL BERHAD**

Registration Number: 200201028701 (596364-U)

Date: 22 February 2024

Subject: **UNAUDITED QUARTERLY (Q2) FINANCIAL REPORT FOR  
THE PERIOD ENDED 31 DECEMBER 2023**

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	3 months ended		6 months ended	
		31 Dec 2023 RM'000	31 Dec 2022 RM'000	31 Dec 2023 RM'000	31 Dec 2022 RM'000
REVENUE		89,704	53,590	144,886	95,643
PROFIT FROM OPERATIONS		15,035	13,877	26,447	26,146
Investment related income		2,129	10,971	2,976	16,121
Investment related expenses		-	-	(6,074)	-
Finance costs	A11	(898)	(101)	(1,758)	(267)
PROFIT BEFORE TAX	B7	16,266	24,747	21,591	42,000
INCOME TAX EXPENSE	B6	(4,548)	(4,035)	(6,635)	(7,590)
PROFIT AFTER TAX		11,718	20,712	14,956	34,410
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		8,152	7,219	13,674	9,245
<b>Total comprehensive income for the period</b>		<b>19,870</b>	<b>27,931</b>	<b>28,630</b>	<b>43,655</b>
<u>Profit/(loss) attributable to:-</u>					
Owners of the Company		11,717	21,400	14,434	35,352
Non-controlling interests		1	(688)	522	(942)
		<b>11,718</b>	<b>20,712</b>	<b>14,956</b>	<b>34,410</b>
<u>Total comprehensive income/(loss) attributable to:-</u>					
Owners of the Company		19,869	28,619	28,108	44,597
Non-controlling interests		1	(688)	522	(942)
		<b>19,870</b>	<b>27,931</b>	<b>28,630</b>	<b>43,655</b>
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	1.52	2.76	1.87	4.57

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 Dec 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill		423	423
Property, plant and equipment		18,484	18,678
Right-of-use assets		5,450	2,176
Investment properties		1,200	1,200
Intangible assets		16,590	32,145
Other investments		119,334	33,988
Deferred tax assets		3,155	3,155
		<u>164,636</u>	<u>91,765</u>
<b>Current Assets</b>			
Inventories		1,002	518
Trade and other receivables	A12	44,434	97,684
Contract assets		70,228	46,301
Tax recoverable		3,638	2,855
Short term investments		44,985	70,000
Cash and bank balances		37,595	116,989
		<u>201,882</u>	<u>334,347</u>
<b>TOTAL ASSETS</b>		<b><u>366,518</u></b>	<b><u>426,112</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		118,379	109,595
		<u>262,539</u>	<u>253,755</u>
Non-controlling interests		3,516	2,994
<b>Total Equity</b>		<b><u>266,055</u></b>	<b><u>256,749</u></b>
<b>Non-current Liabilities</b>			
Loans and borrowings	B8	1,059	1,112
Lease liabilities		4,372	1,547
Other payables	A13	-	23,056
Deferred tax liabilities		204	5,255
		<u>5,635</u>	<u>30,970</u>
<b>Current Liabilities</b>			
Trade and other payables	A13	63,435	83,537
Contract liabilities		22,183	49,758
Loans and borrowings	B8	103	102
Lease liabilities		1,150	1,228
Provision for taxation		7,957	3,768
		<u>94,828</u>	<u>138,393</u>
<b>Total Liabilities</b>		<b><u>100,463</u></b>	<b><u>169,363</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>366,518</u></b>	<b><u>426,112</u></b>
Net assets per share (sen)		<u>33.97</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.

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

**REDTONE DIGITAL BERHAD**

Registration Number: 200201028701 (596364-U)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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
<b>At 1 July 2023</b>	149,813	(5,653)	(662)	641	8,530	101,086	253,755	2,994	256,749
Profit for the period	-	-	-	-	-	14,434	14,434	522	14,956
Other comprehensive income	-	-	-	-	13,674	-	13,674	-	13,674
Total comprehensive income	-	-	-	-	13,674	14,434	28,108	522	28,630
Transaction with owners:									
- Dividend paid	-	-	-	-	-	(19,324)	(19,324)	-	(19,324)
<b>At 31 December 2023</b>	<b>149,813</b>	<b>(5,653)</b>	<b>(662)</b>	<b>641</b>	<b>22,204</b>	<b>96,196</b>	<b>262,539</b>	<b>3,516</b>	<b>266,055</b>
<b>At 1 July 2022</b>	149,813	(5,653)	(663)	641	19,751	54,220	218,109	5,280	223,389
Profit for the period	-	-	-	-	-	35,352	35,352	(942)	34,410
Other comprehensive income	-	-	-	-	9,245	-	9,245	-	9,245
Total comprehensive income	-	-	-	-	9,245	35,352	44,597	(942)	43,655
Transaction with owners:									
- Dividend paid	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
<b>At 31 December 2022</b>	<b>149,813</b>	<b>(5,653)</b>	<b>(663)</b>	<b>641</b>	<b>28,996</b>	<b>75,659</b>	<b>248,793</b>	<b>4,338</b>	<b>253,131</b>

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

**REDTONE DIGITAL BERHAD**

Registration Number: 200201028701 (596364-U)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>6 months ended</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from operations	123,294	63,172
Payment for operating expenses	(101,511)	(59,986)
Net tax payment	(8,280)	(7,109)
Other payments	(38)	(22)
Net cash generated from/(used in) operating activities	<u>13,465</u>	<u>(3,945)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in deposits and short term investments	15,601	(14,766)
Proceeds from disposal of quoted shares	7,007	3,120
Acquisition of quoted shares	(71,519)	(2,997)
Acquisition of property, plant and equipment	(1,731)	(7,081)
Payment of intangible assets	(21,542)	(3,660)
Interest received	1,197	549
Dividend received	216	242
Net cash used in investing activities	<u>(70,771)</u>	<u>(24,593)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(954)	(1,907)
Repayment of bank borrowings and other loans	(52)	(50)
Placement of deposits with licensed bank not available for use	(296)	(439)
Dividend paid	(19,324)	(13,913)
Interest paid	(1,758)	(267)
Net cash used in financing activities	<u>(22,384)</u>	<u>(16,576)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(79,690)</b>	<b>(45,114)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>88,506</b>	<b>50,363</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>8,816</b>	<b>5,249</b>
<b>The closing cash and cash equivalents comprise of the following:</b>		
Deposits with financial institutions	28,779	28,394
Cash in hand and at banks	8,816	5,249
	<u>37,595</u>	<u>33,643</u>
Less:		
Deposits pledged to financial institutions	(28,779)	(28,394)
	<u>8,816</u>	<u>5,249</u>

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**  
**NOTES TO THE UNAUDITED 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 unaudited 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 31 December 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 31 December 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 31 December 2023:

(a) Share capital	<b>Number of Ordinary Shares</b>	<b>RM</b>
Share capital as at 1 July 2023/31 December 2023	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the financial period ended 31 December 2023 and the number of treasury shares held in hand as at 31 December 2023 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
<b>Total treasury shares as at 31 December 2023</b>	0.595	9,502,000	5,653

As at 31 December 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 31 DECEMBER 2023**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

**A8. Contingent liability and performance bond**

(a) There is no contingent liability as at 31 December 2023 (30 June 2023: Nil).

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

	<b>As at 31 Dec 2023 RM'000</b>	<b>As at 30 Jun 2023 RM'000 (Audited)</b>
Performance bonds in favour of various government and statutory bodies and private companies	153,632	153,632

**A9. Dividends paid**

An interim dividend of 2.5 sen per share amounting to RM19.324 million in respect of the financial year ended 30 June 2023 was paid on 16 October 2023 (Period ended 31 December 2022: 1.8 sen per share).

**A10. Segment information**

The segment information for the reportable segments by line of business for the financial period ended 31 December 2023 are as follows:-

	<b>Period to date 31 Dec 2023 RM'000</b>
<b>Revenue</b>	
Telecommunication services	56,101
Managed telecommunication network services ("MTNS")	85,177
Cloud and Internet of Things	3,608
Total revenue	144,886
<b>Results</b>	
Telecommunication services	13,606
MTNS	15,948
Cloud and Internet of Things	(1,476)
	28,078
Indirect corporate expenses	(1,631)
Profit from operations	26,447
Investment related income	2,976
Investment related expenses	(6,074)
Finance costs	(1,758)
Profit before tax	21,591
Income tax expense	(6,635)
Profit after tax	14,956

**A11. Finance costs**

	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>31 Dec 2023 RM'000</b>	<b>31 Dec 2022 RM'000</b>	<b>31 Dec 2023 RM'000</b>	<b>31 Dec 2022 RM'000</b>
Interest expense on:				
- bank overdrafts	1	-	1	-
- term loans	14	15	30	31
- lease liabilities	80	39	139	90
- others	795	20	1,572	37
Bank guarantee fee	8	27	16	109
	898	101	1,758	267

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**  
**NOTES TO THE UNAUDITED 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:

	<b>As at 31 Dec 2023 RM'000</b>	<b>As at 30 Jun 2023 RM'000 (Audited)</b>
Trade receivables	21,343	51,330
Other receivables		
- Third parties, associates and sundry receivables	3,364	11,110
- Deposits	2,099	2,061
- Prepayments	17,628	33,183
	<u>23,091</u>	<u>46,354</u>
<b>Total</b>	<u>44,434</u>	<u>97,684</u>

**A13. Trade and other payables**

Payables of the Group are as follows:

	<b>As at 31 Dec 2023 RM'000</b>	<b>As at 30 Jun 2023 RM'000 (Audited)</b>
<b>Non-current</b>		
Other payables		
- Sundry payables	-	23,056
<b>Current</b>		
Trade payables	24,620	45,562
Other payables		
- Provision for Universal Service Fund Contribution	7,381	7,010
- Accruals	5,446	4,823
- Deposits payable	1,759	1,740
- Sundry payables	24,229	24,402
	<u>38,815</u>	<u>37,975</u>
<b>Total</b>	<u>63,435</u>	<u>83,537</u>



**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**  
**ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES LR**

**B1. Review of group performance for the quarter ended 31 December 2023**

	3 months ended			6 months ended		
	31 Dec 2023 RM'000	31 Dec 2022 RM'000	% +/(-)	31 Dec 2023 RM'000	31 Dec 2022 RM'000	% +/(-)
Revenue	89,704	53,590	67.39	144,886	95,643	51.49
Profit from operations	15,035	13,877	8.34	26,447	26,146	1.15
Profit before tax	16,266	24,747	-34.27	21,591	42,000	-48.59

**Review of results for the quarter**

For the quarter under review, the Group reported a revenue of RM89.70 million which was 67.39% higher than RM53.59 million reported in the previous year corresponding quarter due to higher revenue registered by the MTNS segment. The increase in MTNS revenue was mainly attributed to a higher project activities under the Universal Service Provision projects.

Despite a 67.39% increase in revenue, the Group posted a profit from operations for the current quarter of RM15.04 million, which was a marginal 8.34% increase. This was mainly due to lower gross profit margin contributed by MTNS segment.

The Group posted a profit before tax for the current quarter of RM16.27 million, which was 34.27% lower than RM24.75 million reported in the previous year corresponding quarter. The lower profit before tax was mainly due to lower fair value gain from investment under FVTPL category.

**Review of results for the 6-month period**

The Group reported a revenue of RM144.89 million which was 51.49% higher than RM95.64 million reported in the previous year corresponding period mainly due to higher revenue contributed by MTNS segment.

The Group posted a profit from operations for the current period of RM26.45 million which was only 1.15% higher than the RM26.15 million reported in the previous year corresponding period mainly due to lower gross profit margin contributed by MTNS segment and higher amortisation of intangible assets.

The Group posted a profit before tax for the current period of RM21.59 million which was 48.59% lower than the RM42.00 million reported in the previous year corresponding period mainly due to the fair value loss of RM4.69 million from investment under FVTPL category, whereas the Group incurred a fair value gain of RM15.18 million in the previous year corresponding period.

**B2. Review of results of current quarter vs preceding quarter**

	3 months ended		% +/(-)
	31 Dec 2023 RM'000	30 Sep 2023 RM'000	
Revenue	89,704	55,182	62.56
Profit from operations	15,035	11,412	31.75
Profit before tax	16,266	5,325	205.46

**Commentary on revenue**

The Group reported a revenue of RM89.70 million in this current quarter which was 62.56% higher than RM55.18 million reported in the preceding quarter due to higher revenue contributed by the MTNS segment.

**Commentary on results**

The Group reported a profit from operations of RM15.04 million which was 31.75% higher than the RM11.41 million registered in the preceding quarter mainly due to higher gross profit contributed by MTNS segment.

The Group posted a profit before tax for the current quarter of RM16.27 million, which was 205.46% higher than RM5.33 million reported in the preceding quarter. The higher profit before tax was mainly due to the fair value gain of RM1.39 million from investment under FVTPL category, whereas the Group incurred a fair value loss of RM6.08 million in the preceding quarter.

**B3. Prospects and business outlook**

In February 2024, the Group secured a 5-year Unified Communication contract from the Malaysian Administrative Modernisation and Management Planning Unit ("MAMPU") for a total contract value of approximately RM398 million ("ICT Project"). This is a significant milestone for the Group in its ICT segment. However, the Board of Directors anticipates business outlook for the remaining quarters to remain competitive in particular its telecommunication services segment due to current intense competition. Nevertheless, the Group remains cautiously optimistic and will continue to improve its operational efficiency and adopt measures to enhance its core business profitability. Barring any unforeseen circumstances, in addition to the contribution from the ICT Project, the Management expects its MTNS and data services for enterprise market segments to continue to contribute positively to the Group.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**  
**ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES LR**

**B4. Profit forecast**

No profit forecast was announced.

**B5. Corporate proposal**

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

**B6. Income tax expense**

	3 months ended		6 months ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000	31 Dec 2023 RM'000	31 Dec 2022 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(4,524)	(4,035)	(11,686)	(7,590)
Deferred tax				
- Origination and reversal of temporary differences	(24)	-	5,051	-
<b>Total</b>	<b>(4,548)</b>	<b>(4,035)</b>	<b>(6,635)</b>	<b>(7,590)</b>

The disproportionate tax charge of the Group for the current period 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		6 months ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000	31 Dec 2023 RM'000	31 Dec 2022 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Amortisation of intangible asset	7,777	1,470	15,555	2,940
Depreciation of:				
- property, plant and equipment	968	143	1,907	282
- right-of-use assets	230	812	426	1,663
Impairment of property, plant and equipment	-	-	14	-
Property, plant and equipment written off	-	-	4	-
Loss/(gain) on foreign exchange	10	(169)	77	(208)
Allowance for/(write back of) doubtful debts on trade receivables	129	(101)	90	(166)
Expenses relating to leases				
- short term leases	229	210	446	417
- leases of low value assets	31	37	70	78
Interest income	(496)	(239)	(1,172)	(590)
Dividend income	(219)	(173)	(369)	(311)
Fair value (gain)/loss on short term investments	(1,387)	(10,537)	4,687	(15,177)

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 31 Dec 2023 RM'000	As at 30 Jun 2023 RM'000 (Audited)
<b>Current</b>		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	103	102
<b>Non current</b>		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,059	1,112
<b>Total</b>	<b>1,162</b>	<b>1,214</b>

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 2022: Nil).

**B11. Earnings per share**

Basic earnings per share is calculated as follows:

	3 months ended		6 months ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	11,717	21,400	14,434	35,352
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)	1.52	2.76	1.87	4.57

There are no potential ordinary shares outstanding as at 31 December 2023. As such, the fully diluted earnings per share of the Group is not presented.