REDtone
INTERNATIONAL BERHAD
(Company No. 596364-U)

ANNUAL REPORT 2019

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of REDtone International Berhad ("Company") will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 3 December 2019 at 10:00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period ended 30 June 2019 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of Directors' fees for an aggregate amount of up to RM810,000 payable to the Non-Executive Directors of the Company on a monthly basis from 4 December 2019 until the next Annual General Meeting of the Company to be held in year 2020. **Ordinary Resolution 1**

3. To approve the payment of Directors' benefits for an amount of up to RM130,000 payable to the Directors of the Company from 4 December 2019 until the next Annual General Meeting of the Company to be held in year 2020. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire by rotation in accordance with Article 85 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (i) Dato' Ismail Bin Osman **Ordinary Resolution 3**

   (ii) Avinderjit Singh A/L Harjit Singh **Ordinary Resolution 4**

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without modifications:-

6. **Ordinary Resolution**
   Retention of Mathew Thomas A/L Vargis Mathews as Independent Non-Executive Director **Ordinary Resolution 6**

   "**THAT** Mathew Thomas A/L Vargis Mathews who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance."

7. **Ordinary Resolution**
Authority to Issue Shares pursuant to the Companies Act 2016 **Ordinary Resolution 7**

"**THAT**, subject always to the Companies Act 2016, the Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Companies Act 2016, to issue and allot shares in the capital of the Company from time to time at such price and to such persons, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided always that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being;

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

AND FURTHER THAT such authority shall commence immediately upon passing of this resolution and continue in force until the conclusion of the next Annual General Meeting of the Company."

8. **Ordinary Resolution**
Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Persons Connected with Tan Sri Dato' Seri Vincent Tan Chee Yioun **Ordinary Resolution 8**

"**THAT**, subject to the provisions of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, approval be and is hereby given for the Company and its subsidiary companies ("**Group**"), to enter into recurrent related party transactions of a revenue or trading nature with persons connected with Tan Sri Dato' Seri Vincent Tan Chee Yioun as specified in Part A, Section 2.3 of the Circular to Shareholders dated 25 October 2019 ("**Proposed Mandate I**"), which are necessary for the day-to-day operations and/or in the ordinary course of business of the Group on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the AGM at which such ordinary resolution for the Proposed Mandate I was passed, at which time it will lapse, unless by ordinary resolution passed at that AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or deem fit and in the best interest of the Group to give effect to such transactions as authorised by this resolution."

Notice of Annual General Meeting
(Cont'd)

9. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Persons Connected with Tan Sri Dato' Seri Vincent Tan Chee Yioun and companies in which D.Y.M.M. Sultan Ibrahim Ismail Ibni Almarhum Sultan Mahmud Iskandar Al-Haj is also a major shareholder

Ordinary Resolution 9

"**THAT**, subject to the provisions of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, approval be and is hereby given for the Company and its subsidiary companies ("**Group**"), to enter into recurrent related party transactions of a revenue or trading nature with persons connected with Tan Sri Dato' Seri Vincent Tan Chee Yioun and companies in which D.Y.M.M. Sultan Ibrahim Ismail Ibni Almarhum Sultan Mahmud Iskandar Al-Haj is also a major shareholder as specified in Part A, Section 2.3 of the Circular to Shareholders dated 25 October 2019 ("**Proposed Mandate II**") which are necessary for the day-to-day operations and/or in the ordinary course of business of the Group on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the AGM at which such ordinary resolution for the Proposed Mandate II was passed, at which time it will lapse, unless by ordinary resolution passed at that AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or deem fit and in the best interest of the Group to give effect to such transactions as authorised by this resolution."

Notice of Annual General Meeting
(Cont'd)

10. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Best Media Network Sdn. Bhd. **Ordinary Resolution 10**

"**THAT**, subject to the provisions of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, approval be and is hereby given for the Company and its subsidiary companies ("**Group**"), to enter into recurrent related party transactions of a revenue or trading nature with Best Media Network Sdn Bhd, a person connected with D.Y.M.M. Sultan Ibrahim Ismail Ibni Almarhum Sultan Mahmud Iskandar Al-Haj and YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail as specified in Part A, Section 2.3 of the Circular to Shareholders dated 25 October 2019 ("**Proposed Mandate III**") which are necessary for the day-to-day operations and/or in the ordinary course of business of the Group on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the AGM at which such ordinary resolution for the Proposed Mandate III was passed, at which time it will lapse, unless by ordinary resolution passed at that AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary company to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or deem fit and in the best interest of the Group to give effect to such transactions as authorised by this resolution."

11. **Special Resolution**
Proposed Adoption of New Constitution of the Company **Special Resolution**

"**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed New Constitution of the Company, as set out in Part B of the Circular to Shareholders dated 25 October 2019 be and is hereby adopted as the Constitution of the Company ("**Proposed Adoption of New Constitution**");

AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Adoption of New Constitution."

Notice of Annual General Meeting
(Cont'd)

12. To transact any other business of which due notice shall have been given.

By order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
TAN LEY THENG (MAICSA 7030358)
Company Secretaries

Kuala Lumpur
Dated: 25 October 2019

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 26 November 2019 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting or appoint proxy(ies) to attend and vote in his stead.

2. A member entitled to attend and vote at the Meeting, may appoint more than one (1) proxy to attend and vote in his stead. Where a member appoints two (2) proxies to attend and vote at the same Meeting, such appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.

4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of the securities account it holds with shares of the Company standing to the credit of the said securities account.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company at Lot 10-04A & 10-04B, Level 10, West, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting.

7. Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by way of poll. Independent Scrutineers will be appointed to validate the results of the poll.

Notice of Annual General Meeting
(Cont'd)

Explanatory Notes to Ordinary and Special Business

(i) Audited Financial Statements for the financial period ended 30 June 2019

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) Payment of Directors' fees and benefits

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting.

The Board wishes to seek shareholders' approval at the Seventeenth Annual General Meeting ("**AGM**") on the two (2) separate resolutions as below:

- Resolution 1 on payment of Directors' fees payable to the Non-Executive Directors of the Company on a monthly basis from 4 December 2019 until the next AGM of the Company to be held in year 2020; and
- Resolution 2 on payment of Directors' benefits, which comprise of meeting allowance payable for attendance of Directors at Board and/or Board Committees' meetings from 4 December 2019 until the next AGM of the Company to be held in year 2020.

In the event that the proposed Directors' fees and benefits payable are insufficient due to enlarged size of the Board of Directors, approval will be sought at the next AGM for additional Directors' fees and benefits to meet the shortfall.

(iii) Ordinary Resolution 6 – Retention of Independent Non-Executive Director

Mr. Mathew Thomas A/L Vargis Mathews was appointed as an Independent Non-Executive Director of the Company on 15 November 2003 and therefore, has served the Board for a cumulative term of more than twelve (12) years. The Board, through the Nomination Committee recommends that he should be retained to continue in office as an Independent Non-Executive Director based on the following justifications, subject to approval from the shareholders of the Company through a two-tier voting process as described in the Guidance to Practice 4.2 of the Malaysian Code on Corporate Governance:

(i) He fulfils the criteria under the definition of Independent Director pursuant to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad;

(ii) He is able to consistently demonstrate his independence and professionalism and effectively contributed and added value to the Company through Board Committees he serves as well as the Board;

(iii) He has vast experience in a diverse range of businesses and has financial expertise especially in internal audit. Besides, he is able to provide constructive opinions and exercise independent judgement and has ability to act in the best interest of the Company; and

(iv) There are significant advantages to be gained from a long-serving Independent Director who has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, as he is able to provide invaluable contributions with independence in his role as an Independent Non-Executive Director.

Notice of Annual General Meeting
(Cont'd)

Explanatory Notes to Ordinary and Special Business (Cont'd)

(iv) Ordinary Resolution 7 – Authority to Issue Shares

The Company wishes to renew the mandate on the authority to issue shares pursuant to the Companies Act 2016 at the Seventeenth AGM of the Company ("**Renewal Mandate**").

The Company had been granted a general mandate by its shareholders at the Sixteenth AGM of the Company held on 16 October 2018 ("**Previous Mandate**").

As at the date of this Notice, the Company has not issued any new ordinary shares pursuant to the Previous Mandate granted by the shareholders and hence no proceeds were raised therefrom.

The proposed Resolution 7, if passed, will provide flexibility to the Directors of the Company to undertake any possible fund raising activities, including but not limited to placement of shares for the purpose of funding Company's current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or such other purposes as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

(v) Ordinary Resolutions 8 to 10 – Proposed New Shareholders' Mandate and Proposed Renewal of Shareholders' Mandate

The proposed Resolutions 8, 9 and 10, if passed, will give mandates to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, details of which are set out in Part A, Section 2.3 of the Circular to Shareholders dated 25 October 2019.

The aforesaid mandates from shareholders are on an annual basis and are subject to renewal at the next AGM of the Company.

For further information, please refer to the Circular to Shareholders dated 25 October 2019 which is despatched together with the Company's Annual Report 2019.

(vi) Special Resolution – Proposed Adoption of New Constitution

The proposed Special Resolution, if passed, will primarily bring the Company's Constitution in line with the Companies Act 2016 and the amendments made to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency.

The proposed new Constitution is set out in Appendix B of the Circular to Shareholders dated 25 October 2019 which is despatched together with the Company's Annual Report 2019.

CORPORATE INFORMATION

Board Of Directors

YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail
(Chairman/Non-Independent Non-Executive Director)

Lau Bik Soon
(Group Chief Executive Officer)

Dato' Ismail Bin Osman
(Senior Executive Director)

Ho Meng *
(Executive Director)

Mathew Thomas A/L Vargis Mathews
(Senior Independent Non-Executive Director)

Dato' Mohd Zaini Bin Hassan
(Independent Non-Executive Director)

Avinderjit Singh A/L Harjit Singh
(Independent Non-Executive Director)

Loh Paik Yoong
(Non-Independent Non-Executive Director)

* *resigned on 24 October 2019*

AUDIT COMMITTEE

Mathew Thomas A/L Vargis Mathews
(Chairman/Senior Independent Non-Executive Director)

Loh Paik Yoong
(Member/Non-Independent Non-Executive Director)

Dato' Mohd Zaini Bin Hassan
(Member/Independent Non-Executive Director)

NOMINATION COMMITTEE

Mathew Thomas A/L Vargis Mathews
(Chairman/Senior Independent Non-Executive Director)

Avinderjit Singh A/L Harjit Singh
(Member/Independent Non-Executive Director)

Dato' Mohd Zaini Bin Hassan
(Member/Independent Non-Executive Director)

REMUNERATION COMMITTEE

Dato' Mohd Zaini Bin Hassan
(Chairman/Independent Non-Executive Director)

Mathew Thomas A/L Vargis Mathews
(Member/Senior Independent Non-Executive Director)

Loh Paik Yoong
(Member/Non-Independent Non-Executive Director)

COMPANY SECRETARIES

Chua Siew Chuan
(MAICSA 0777689)

Tan Ley Theng
(MAICSA 7030358)

REGISTERED OFFICE

Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Wilayah Persekutuan
Telephone no.: 03- 2084 9000
Facsimile no.: 03- 2094 9940

SHARE REGISTRAR

Berjaya Registration Services Sdn Bhd
Lot 10-04A & 10-04B,
Level 10, West,
Berjaya Times Square,
No 1, Jalan Imbi,
55100 Kuala Lumpur
Wilayah Persekutuan
Telephone no.: 03- 2145 0533
Facsimile no.: 03- 2145 9702

HEAD OFFICE

Suites 22-30, 5th Floor,
IOI Business Park,
47100 Puchong,
Selangor Darul Ehsan
Telephone no.: 03-8084 8888
Website: www.redtone.com
E-mail: support@redtone.com

AUDITORS

Ernst & Young (AF0039)
Chartered Accountants

PRINCIPAL BANKER

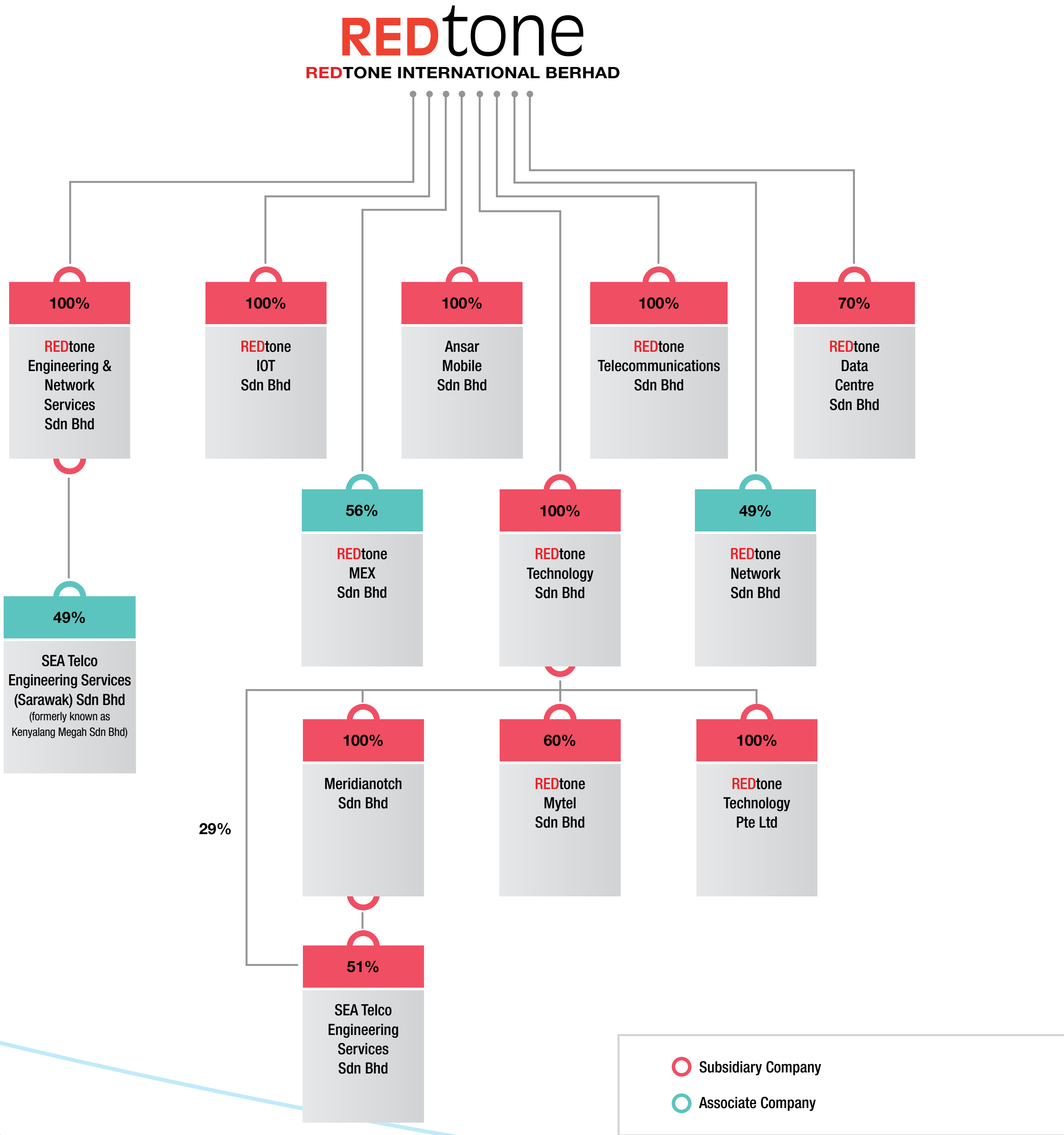
Standard Chartered Bank (M) Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

ACE Market of the Bursa Malaysia Securities Bhd
Stock Name : **REDTONE**
Stock Code : **0032**

CORPORATE STRUCTURE

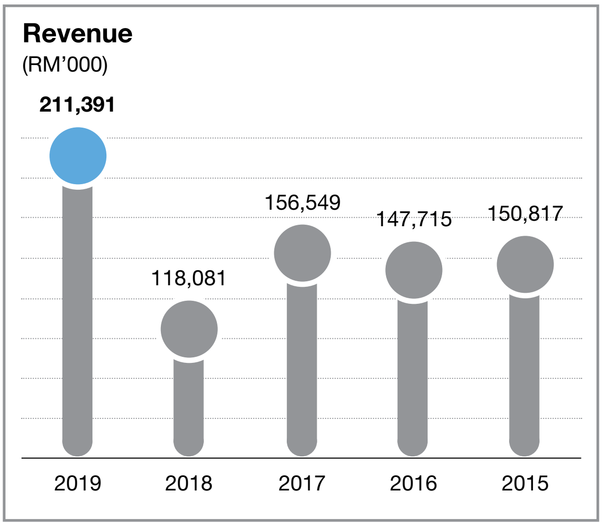
As at 25 October 2019

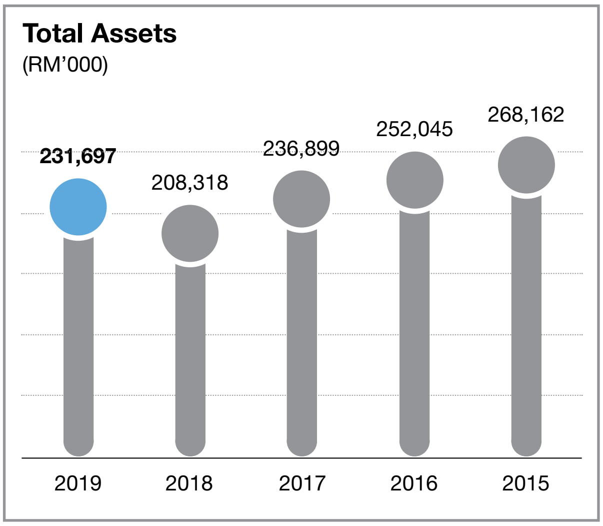


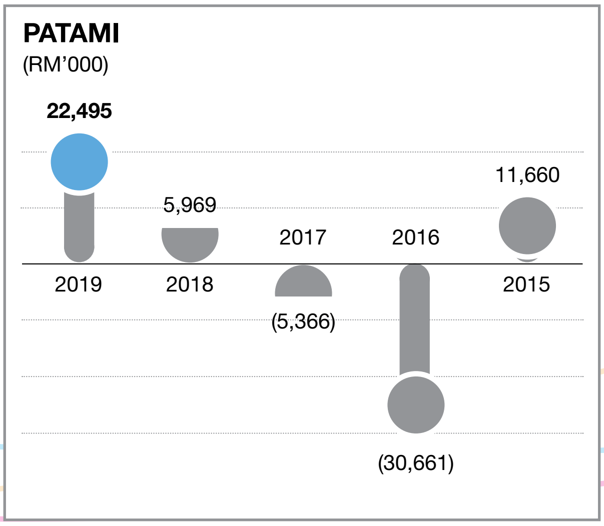
GROUP FINANCIAL SUMMARY

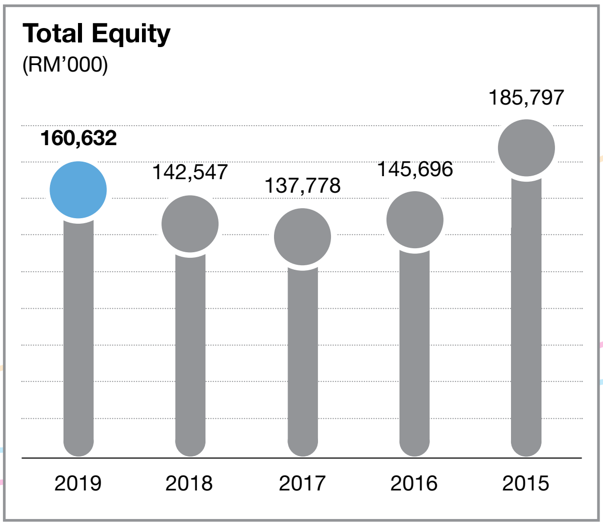
	14 months FP 2019 30-Jun-19	12 months FY 2018 30-Apr-18	12 months FY 2017 30-Apr-17	11 months FP 2016 30-Apr-16	12 months FY 2015 31-May-15
Financial Results (RM'000)					
Revenue	211,391	118,081	156,549*	147,715*	150,817*
Profit/(Loss) Before Tax	33,607	6,513	(4,188)	(41,301)	14,618
Profit/(Loss) After Tax	21,990	4,769	(5,868)	(39,637)	11,300
Profit/(Loss) Attributable To Shareholders ("PATAMI")	22,495	5,969	(5,366)	(30,661)	11,660
Financial Positions (RM'000)					
Total Assets	231,697	208,318	236,899	252,045	268,162
Total Current Liabilities	69,522	62,815	94,984	101,198	75,917
Total Non-current Liabilities	1,543	2,956	4,137	5,151	6,448
Total Equity	160,632	142,547	137,778	145,696	185,797
Financial Ratios					
Net Assets Per Share	21.54	18.54	17.76	18.08	23.25
Net Earnings /(Loss) Per Share (Sen)	2.91	0.77	(0.70)	(3.93)	2.02

* *includes revenue from discontinued operations*









BOARD OF DIRECTORS' PROFILE

YAM TUNKU TUN AMINAH BINTI SULTAN IBRAHIM ISMAIL

Chairman/ Non-Independent Non-Executive Director
Nationality/ Age: Malaysian/ 33
Gender: Female

YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail was appointed to the Board of Directors of the Company on 3 March 2017. She is the daughter of the Sultan of Johor DYMM Sultan Ibrahim Ismail who is a major shareholder of the Company. YAM Tunku Tun Aminah graduated from the prestigious La Salle School of Arts in Singapore.

YAM Tunku Tun Aminah has considerable experience in heading private organizations across a broad range of industries. Currently, she is also the Chairperson of Berjaya Waterfront Sdn Bhd and Berjaya Assets Berhad and serves as a director on the boards of several other private companies, including REDtone Network Sdn Bhd, amongst others. She also holds the KFC franchise in Stulang Laut, Johor Bahru.

YAM Tunku Tun Aminah is also the current president of the Johor Darul Ta'zim Football Club (fondly known as JDT).

YAM Tunku Tun Aminah attended four out of the six Board Meetings held during the financial period ended 30 June 2019.

LAU BIK SOON

Group Chief Executive Officer
Nationality/ Age: Malaysian/ 48
Gender: Male

Mr. Lau Bik Soon was appointed to the Board of Directors of the Company on 13 August 2008. He assumed the position of REDtone's Group Chief Executive Officer on 8 July 2011. Mr. Lau has a First Class Honours Degree in Electrical Engineering from University Technology Malaysia.

Having guided the Company to achieve a firm footing in the data and broadband space, Mr. Lau will continue to play a significant role in driving REDtone as it expands its spectrum of services. He was awarded the 2014 Asia Pacific Entrepreneurship Awards, a regional award for outstanding entrepreneurship.

His extensive experience in the ICT and telecommunications industry spans over 25 years during which he held key positions with international organizations such as Cisco Systems, Sun Microsystems, Compaq Computer, TQC Consultant (IT Division) Sdn Bhd and Motorola. He won numerous sales management excellence awards and accolades during his time there. Prior to joining REDtone, he was the Country Manager for Hitachi Data Systems Malaysia.

He attended all six Board Meetings held during the financial period ended 30 June 2019.

Board of Directors' Profile
(Cont'd)

DATO' ISMAIL BIN OSMAN
Senior Executive Director
Nationality/ Age: Malaysian/ 69
Gender: Male

Dato' Ismail Bin Osman was appointed to the Board of Directors of the Company on 5 September 2011. He holds a Bachelor in Electronics Engineering from Universiti Teknologi MARA ("UiTM") and a Master of Science in Microwave Semiconductor Electronics from the University of Kent, United Kingdom.

Dato' Ismail Bin Osman began his career in the telecommunications industry when he joined the Jabatan Telekom Malaysia (then known as "JT") in 1976 after graduating in 1975 from UiTM. He then moved to the newly established telecommunications regulatory department called Jabatan Telekomunikasi Malaysia ("JTM") in January 1987 when JT migrated from government department to a corporation (called then STMB, now TM) established under the Companies Act, 1965. He held the position of Director of Spectrum Management in JTM until 1994 when he was promoted to Deputy Director General. In January 1999, he was promoted to the Director General of Telecommunications. Due to changes of regulatory regime from the Telecommunications Act, 1950 to the Communication Multimedia Act, 1998, JTM ceased its functions and regulatory functions were handed over to the Communications and Multimedia Commission from April 1999. He retired as the last Director General of Telecommunications on 1 April 1999.

Since his retirement from the government service, he has been actively involved directly in the private sector involving telecommunications industry in particular and others in general. He sat on various boards of public and private companies, including DiGi.Com Berhad, Cosway Corporation Berhad, Berjaya Group Berhad, MOLACCESS Bhd and Asiaspace Sdn Bhd.

Dato' Ismail Bin Osman is currently the Chairman of Malaysian Technical Standard Forum Bhd, a forum designated by Malaysian Communications and Multimedia Commission. He is also the Chairman of Digital Johor Advisory Committee.

He attended all six Board Meetings held during the financial period ended 30 June 2019.

HO MENG
Executive Director (resigned on 24 October 2019)
Nationality/ Age: Malaysian/ 60
Gender: Male

Mr. Ho Meng was appointed to the Board of Directors of the Company on 30 November 2015. He qualified as a Chartered Accountant from the Malaysian Institute of Certified Public Accountants (MICPA). He is a member of the MICPA, the Malaysian Institute of Accountants and a fellow member of the CPA Australia.

He has extensive working experience in various financial and senior management positions with a number of private and public listed companies including several years in external and internal auditing since he began his professional career with a public accounting firm.

Mr. Ho was appointed to the Board of 7-Eleven Malaysia Holdings Berhad in August 2013 and was the Executive Director until his resignation upon retirement from employment on 24 October 2019. He served as the Acting Chief Executive Officer from 1 August 2017 until cessation on 10 August 2018. In addition, he was the Deputy Chief Executive Officer of 7-Eleven Malaysia Sdn Bhd until 29 April 2016, after having served as an Executive Director and then the Managing Director since joining in 2011.

Prior to his appointment at 7-Eleven Malaysia Sdn Bhd, he was the Chief Executive Officer of Ansat Broadcast Sdn Bhd between 2005 and 2010 and has remained as a director until his retirement on 24 October 2019. He was with DiGi Telecommunications Sdn Bhd for almost 10 years after joining in 1995 when its mobile telecommunications service was launched and was the Chief Financial Officer when he left in 2005.

He attended all six Board Meetings held during the financial period ended 30 June 2019.

Board of Directors' Profile
(Cont'd)

MATHEW THOMAS A/L VARGIS MATHEWS
Senior Independent Non-Executive Director
Nationality/ Age: Malaysian/ 63
Gender: Male

Mr. Mathew Thomas A/L Vargis Mathews was appointed to the Board of Directors of the Company on 15 November 2003. He obtained his Association of Chartered Certified Accountants (UK) qualification from London in 1985. He is currently a Fellow of the Association of Chartered Certified Accountants, UK.

He began his career in a small audit practice and after qualifying, joined one of the big four accounting firms in 1987. In 1990, he left to start up his own audit and accounting practice and is currently the Managing Partner of Mathew & Partners, Chartered Accountants. He is an approved Tax Agent and Company Auditor licensed by the Ministry of Finance. Currently, he sits on the boards of several private limited companies in Malaysia including Mathew & Partners Consulting Sdn Bhd, Westar Corporation Sdn Bhd and Ultimate Class Sdn Bhd. He is also a member of the Malaysian Institute of Accountants and a Fellow of The Malaysian Institute of Taxation.

Mr. Mathew Thomas is the Chairman of the Audit Committee and Nomination Committee. He is also a member of the Remuneration Committee of the Company.

He attended all six Board Meetings held during the financial period ended 30 June 2019.

DATO' MOHD ZAINI BIN HASSAN
Independent Non-Executive Director
Nationality/ Age: Malaysian/ 55
Gender: Male

Dato' Mohd Zaini Bin Hassan was appointed to the Board of Directors of the Company on 23 April 2012. He holds a Master of Science (MSc.) in Media Management from University of Stirling, United Kingdom in 1995 after completing his Bachelor of Mass Communication (Journalism) from Universiti Teknologi MARA ("UiTM") in 1988.

He embarked on his career with Utusan Melayu (Malaysia) Berhad in 1989, where he carved a niche for himself through a sound-track record as a polished journalist and respected leader in the Malaysian media fraternity. He was the Assistant Editor-in-Chief of Utusan Melayu before he left the Company in November 2018.

In January 2019, he founded BebasNews, a news portal, and eventually formed a media company, Rare Media Sdn Bhd.

He authored a best-selling book, "Dilema Melayu Moden". Throughout his career in journalism, he had won the Malaysia's prestigious journalism award Kajai by Malaysian Press Institute in 2005; Wartawan Terbaik Negara 2008 by Persatuan Wartawan Melayu Malaysia; Best Journalist of the Year 2009 by National Press Club and Anugerah Wartawan Politik Negara 2012.

He is actively involved in several NGOs, including as the President of UiTM Alumni Association, which consists of more than 640,000 members. In addition, he was also appointed to the Board of Trustees for an education fund foundation known as Tabung Pendidikan 1 Billion. He was also appointed to the Board of Directors of UiTM in June 2016 until 2018, where he was the Chairman of Risk Committee, Chairman of Human Resource and a member of the Integrity Committee.

Dato' Mohd Zaini is the Chairman of the Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee of the Company.

He attended five out of the six Board Meetings held during the financial period ended 30 June 2019.

Board of Directors' Profile
(Cont'd)

AVINDERJIT SINGH A/L HARJIT SINGH
Independent Non-Executive Director
Nationality/ Age: Malaysian/ 48
Gender: Male

Mr. Avinderjit Singh A/L Harjit Singh was appointed to the Board of Directors of the Company on 19 February 2014. He completed his education in Singapore Stamford College.

He has more than 25 years of working experience in marketing in several business areas including property development, oil & gas and auto-sports. Currently, he sits on the board of a public company Knusford Berhad and several private limited companies, including Transwater Capital Ventures Sdn Bhd, Lido Waterfront Boulevard Sdn Bhd, MSC Cyberport Sdn Bhd, Iskandar Seafront Assets Sdn Bhd, Berjaya Assembly Sdn Bhd and Berjaya Waterfront Sdn Bhd.

Mr. Avinderjit Singh A/L Harjit Singh is also a member of the Nomination Committee of the Company.

He attended five out of the six Board Meetings held during the financial period ended 30 June 2019.

LOH PAIK YOONG
Non-Independent Non-Executive Director
Nationality/ Age: Malaysian/ 55
Gender: Female

Ms. Loh Paik Yoong was appointed to the Board of Directors of the Company on 9 February 2015. She is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Having articled and worked with Messrs. Peat Marwick Mitchell & Co (now known as KPMG) for 6 years to 1990, she subsequently joined the Corporate Advisory Department of Malaysian International Merchant Bankers Berhad where she was actively involved in a wide variety of corporate exercises in an advisory capacity until her departure in 1995 to join Berjaya Group Berhad ("BGroup").

Currently, she is the Head & Director in Group Investment, Berjaya Corporation Berhad, the holding company of BGroup. She also sits on the boards of several private limited companies.

Ms. Loh Paik Yoong is also a member of the Audit Committee and Remuneration Committee of the Company.

She attended all six Board Meetings held during the financial period ended 30 June 2019.

Note:

Save as disclosed, none of the Directors have:-

1. *any family relationship with any directors and/or major shareholders of the Company;*
2. *any conflict of interest with the Company;*
3. *any convictions for offences within the past 5 years other than traffic offences; and*
4. *any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.*

KEY SENIOR MANAGEMENT'S PROFILE

YAU CHEE KEONG, ANDY
Chief Executive – REDtone Data Centre Sdn Bhd
Nationality/ Age: Malaysian/ 61
Gender: Male

Mr. Yau Chee Keong was appointed on 1 April 2011. He holds an Australian university Degree in Economics and a post-graduate qualification in Computer Science. He is a Certified Data Center Professional and a Certified Data Centre Specialist, and also holds a certification in Information Technology Service Management Foundation. He has attended the International Association of Outsourcing Professionals's Certified Outsourcing Professional Master Class, and recently, completed the Harvard Business School Executive Program on Business Analytics & Big Data in 2018.

Mr. Yau has more than 36 years of working experience in the information and communications technology arena. He spent his last 25 years of his career in general management and program management in information technology outsourcing services, data centre services, business continuity services, cloud services, and consulting. His other working experience spans from computer hardware and application system implementation, sales and business management, and operation management for a large system integration business, providing information technology solutions and services to a wide spectrum of industries including banking and finance, manufacturing, trading, transportation, oil and gas, healthcare, telecommunications, retails and e-commerce industries.

LAU HOCK CHYE
Chief Financial Officer
Nationality/ Age: Malaysian/ 52
Gender: Male

Mr. Lau Hock Chye was appointed on 6 June 2016. He is a Chartered Secretary with the Institute of Chartered Secretaries & Administrators and a member of the Association of International Accountants, United Kingdom.

He has more than 20 years of working experience in the telecommunications industry with extensive hands-on experience in management, business leadership and working with the board of directors, bankers and financial and legal advisers.

He was the Chief Financial Officer with U Mobile Sdn Bhd for 4 years from 2009 before joining Maxis Communications Berhad in 2013 as the Head of Planning and Strategy for 2½ years. Prior to that he was with Digi Telecommunications Sdn Bhd for almost 13 years. He was leading the business planning team and he was the Head of Regional Management when he left in 2009.

Note:

Save as disclosed, none of the key senior managers have:-

1. *any family relationship with any directors and/or major shareholders of the Company;*
2. *any conflict of interest with the Company;*
3. *any convictions for offences within the past 5 years other than traffic offences; and*
4. *any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

REDtone International Berhad ("REDtone") is a subsidiary of Berjaya Corporation Berhad. Listed on the ACE Market of Bursa Malaysia Securities Berhad in 2004, REDtone is a leading digital infrastructure and services provider and offers an extensive range of services under three main categories:-

a) Telecommunications Services – REDtone offers data and voice services to government, enterprises, and small and medium enterprises and is the only service provider in the industry to provide infrastructure integration expertise. Its access to a unique suite of last mile technologies also enables it to offer Long-Term Evolution ("LTE") services.

b) Managed Telecommunications Network Services ("MTNS") – this includes building, maintaining and operating large scale WiFi hotspots, radio access network infrastructure and fibre optic infrastructure.

c) Industry Digital Services ("IDS") – this includes data centre services, Internet of Things ("IoT") smart cities and smart farming services, cloud services and applications.

CHANGE IN FINANCIAL YEAR END

During the year, the Group changed its financial year end to 30 June. As a result, the financial year ended 30 June 2019 comprises 14 months.

REVENUE

The Group's revenue for the financial period ended 30 June 2019 ("FPE2019") was RM211.4 million, which was 79% higher than the previous financial year's reported revenue of RM118.1 million. The increase in revenue was mainly contributed by MTNS segment and the additional two-month results recorded as a result of the change of financial year end.

GROSS PROFIT AND GROSS PROFIT MARGIN

For FPE2019, the Group recorded a gross profit of RM85.2 million or a gross profit margin of 40% as compared to RM52.5 million or a gross profit margin of 44% in the preceding financial year. The growth in gross profit was mainly driven by its MTNS projects.

GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative expenses for FPE2019 increased by RM3.2 million or 7% to RM49.8 million compared to RM46.6 million in the previous financial year, mainly due to the additional two-month expenses as a result of the change of financial year end.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally has been financing its operations through a combination of internally generated funds as well as external loans and borrowings. As at 30 June 2019, the Group had cash and bank balances of RM51.8 million. Included in the Group's cash and bank balances are deposits of RM49.1 million which are pledged to banks for facilities granted to subsidiary companies.

Management Discussion and Analysis
(Cont'd)

PROFIT BEFORE TAX

The Group registered a profit before tax of RM33.6 million in FPE2019, as compared to a profit before tax of RM6.5 million in the preceding financial year. The improvement in the Group's results for FPE2019 was mainly due to the higher revenue and gross profit contributed by the MTNS projects and lower financing costs, coupled with an additional two-month results recorded as a result of the change of financial year end.

PROSPECTS

The Board of Directors is of the view that the operating performance of the Group for the next financial year ending 30 June 2020 will remain 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.

CORPORATE SUSTAINABILITY STATEMENT

REDtone continues to be committed to creating lasting value for our stakeholders. We believe the governance and management of material issues have a profound impact on the long-term success of the business. In fact, we are always striving to transform people's lives and organisations for the better by delivering reliable digital infrastructure and services.

With increased public awareness of environmental and social issues, we believe that a balanced approach to sustainability will resonate on an emotional level with customers, build trust and further solidify our reputation in the industry.

This sustainability report outlines our endeavours throughout our financial period ended 30 June 2019 ("FPE2019") in areas where our expertise and resources can make a positive difference for present and future generations. It provides comprehensive details of our sustainability activities with respect to the following four core areas:

- Economic
- Environmental
- Social
- Workplace

1.0 ECONOMIC

1.1 Recognising the economic potential of rural areas, we have prioritised improving digital connectivity for these communities, which in turn helps boost their household income.

We provide communication access to underserved areas in Malaysia and advocate the use of Information and Communications Technology in building a knowledge-based economy through our participation in Universal Service Provision projects such as Kampung Tanpa Wayar, Time-3, Pusat Internet Malaysia and WiFi Komuniti.

1.2 REDtone is determined to remain as an innovative leader in the areas of Smart Farming, Smart Cities, IoT Technologies, Cloud and Big Data.

As a technology-driven company, we are constantly innovating to remain competitive in today's fast-changing business environment. REDtone was named "The Most Innovative Telecom Company 2018" by International Finance Magazine, an award that recognises industry talent, leadership skills, industry net worth and capabilities on an international platform.

REDtone has been appointed to the committee of the Digital Johor Advisory Board, which is tasked with facilitating the roll-out of initiatives to digitalise key economic sectors in the state of Johor and establish new digital-driven industries in line with the Fourth Industrial Revolution (4IR) and evolution of smart cities, or in digitising the state to become Intelligent Johor.

REDtone Smart Farming solutions include systems for Smart Greenhouses, Smart Aquafarming, Smart Fertigation and Smart Pesticide Misting. All these solutions are aimed at digitalising the agriculture sector. This in turn helps increase farming productivity and quality, while maintaining the affordability and sustainability of the value chain.

REDtone also collaborated with other global companies and subject-matter experts to drive cloud, big data adoption and digital transformation for enterprises.

Corporate Sustainability Statement
(Cont'd)

2.0 ENVIRONMENTAL

2.1 We cautiously strive to minimise the environmental impact of our operations. Among our key efforts in this area is the adoption of green technologies for our data centre facilities.

Our data centres are designed with sustainability in mind and incorporated with green technologies that offer energy efficient services, power usage optimisation and cooling capacity enhancement. All of which, collectively, contribute to greater savings for our customers.

2.2 In sync with global trends, we are also working towards a digital environment with the aim of enriching customer experience and creating long-term value for our brand.

As part of our continuous efforts to mitigate the environmental impact of our operations, we have adopted an integrated approach to achieve sustainability in the workplace. This includes developing the digital capabilities of our employees as well as streamlining and automating work processes to improve resource efficiency and accelerate our move towards a paperless work environment.

To this end, we have developed online portals and applications to create multiple touchpoints for our customers, vendors and employees. We aim to continue expanding on our usage of digital assets to help reduce wastage, maximise productivity, increase efficiency and enhance our brand experience.

3.0 SOCIAL

3.1 REDtone embraces corporate social responsibility (CSR) to lay a solid foundation for our future generations through various community and sport-based initiatives.

We are committed to giving back to the communities where we operate by promoting youth sports programmes to foster positive development. Since 2012, for seven consecutive years, we have been the title sponsor of the Kuala Lumpur International Junior Open Squash Championships organised by the Squash Racquets Association of Federal Territory.

During FPE2019, REDtone is proud to have won a CSR award which is based on the Company's concerted efforts to facilitate youth development through the sport of squash, specifically the REDtone Kuala Lumpur International Junior Open Squash Championship. REDtone was named a winner in the "Social Empowerment" category at the Asia Responsible Enterprise Awards (AREA) 2019, held in Taiwan on 24 May 2019. Winning the award is indeed a significant milestone in our CSR journey. It demonstrates our commitment to our corporate social responsibility.

Our support for local community events also includes the provision of internet connectivity, free WiFi services and other forms of assistance.

For the less privileged, REDtone also hosted a fellowship event for the children of Shalom Foster Home during the season of giving in December 2018. Employees were given a chance to interact with children from the Home, hold career talks for the older kids and provide the younger ones with some basic computer lessons.

3.2 In the face of mounting cyber security threats around the world, we increased our efforts to drive awareness of the risks they pose to enterprises and businesses.

Engaging a holistic approach to cyber security, our solutions are incorporated with security and compliance features that enable us to provide comprehensive solutions to match our customers' specific requirements.

4.0 WORKPLACE

4.1 The wellbeing of our employees is of paramount importance to us because they are the backbone of our business. We place a high emphasis on the creation of a safe and healthy work environment and ensuring that our employees are given the right training to work safely from the outset.

Our field employees are required to undergo safety induction training before they are assigned to their respective sites. They are also required to obtain a Construction Industry Development Board Malaysia card as validation of their understanding and knowledge in the area of workplace safety.

To reduce our field employees' exposure to workplace hazards, we strive to ensure that they are furnished with the necessary Personal Protective Equipment. Additionally, our safety personnel are certified by the National Institute of Occupational Safety and Health and kept abreast of the latest industry safety regulations, policies and procedures.

4.2 Continuous education and employee development.

We are passionate about continuous education and employee development. An annual training target of 40 hours is set for each employee. For FPE2019, the average training hours per employee stood at 35 hours.

4.3 Fair Employment: The REDtone Group believes in and adheres to fair employment policies.

We provide fair employment opportunities to all employees and job applicants. Equality is promoted across all aspects of the Group's activities, including, but not limited to, recruitment, hiring, compensation, assignment, training, promotion, discipline and discharge.

4.4 Employee Engagement and Feedback: In a rapidly changing and competitive business environment, maintaining a high level of employee engagement is increasingly important for the Group in order to attract and retain talent.

Various communication and interactive activities are regularly organised to increase interaction between employees. Everyone's voice is heard and aspirations fulfilled, regardless of their position in the company. The Group practices an open door policy. Intranet portals have been set up to encourage employee feedback and disseminate company-related information.

REDtone employees, together with the Management, formed the "RED FORCE" team to initiate employee welfare events and celebrations for employees and their families. The initiatives include various activities, ranging from festive celebrations and fellowships to hiking activities and family day events. This creates a more positive work environment and helps spread the feel good factor among employees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of REDtone International Berhad recognises the importance of upholding good corporate governance in the discharge of its duties and responsibilities to uphold shareholders' confidence and enhance shareholder value.

In its application of corporate governance practices, the Board has taken into consideration the enumerations of the Malaysian Code on Corporate Governance ("MCCG" or "Code") and Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Details of application for each practice of the Code during the financial period ended 30 June 2019 are disclosed in the Corporate Governance Report which is available on the Company's website at www.redtone.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

A. Board Responsibilities

Board of Directors

The Board is responsible for the leadership, oversight and the long-term success of the Group. The Board fully understands their collective responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation in order to safeguard shareholder value.

In discharging its fiduciary duties and leadership functions, it is imperative for the Board to govern and set the strategic direction of the Company while exercising oversight on management. To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following specific areas:

- Strategic business plan and direction of the Group
- Promote good corporate governance culture within the Group
- Investment and divestment proposals
- Approval of financial results
- Ensuring integrity of financial and non-financial reporting
- Risk management
- Succession planning of Board and Senior Management
- Board appointments, their fees and remuneration
- Dividend policy
- Reviewing the adequacy and integrity of the Group's internal control systems
- Implementing effective public communications and investor relations policies

Chairman of the Board

YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail, the Chairman of the Board, is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board as well as maintaining regular dialogue with the Executive Directors over all operational matters. The Chairman will act as facilitator at meetings of the Board to ensure that no Board member, whether executive or non-executive, dominates discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming.

The profile of the Chairman is set out in the Board of Directors' profile of this Annual Report, whereas the roles and responsibilities of the Chairman are clearly specified in Appendix B of the Board Charter, which is available on the Company's website at www.redtone.com.

The Board recognises that an element of strong independence of the Board is essential to ensure a balance of power and authority. The positions of the Chairman and the Group Chief Executive Officer are held by two different individuals and their roles and responsibilities are clearly segregated to further enhance and preserve a balance of authority and accountability. The Chairman provides overall leadership to the Board, without compromising the principle of collective responsibility for Board's decisions while the Group Chief Executive Officer focuses primarily on formulation and implementation of business strategies, oversees the implementation of the Board's decisions and policies, as well as supervises the day-to-day management and running of the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

A. Board Responsibilities (Cont'd)

Time Commitment

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company and to use their best endeavours to attend meetings.

The Board meets every quarter, with the meeting scheduled well in advance before the commencement of the calendar year to facilitate the Directors in managing their meeting plans. Additional meetings, including special meetings are convened whenever necessary. During the financial period ended 30 June 2019, there were a total of six (6) board meetings held, details of the Directors' attendance at the meetings are summarised below:

NAME OF DIRECTORS	Attendance
YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail	4/6
Mr. Lau Bik Soon	6/6
Dato' Ismail Bin Osman	6/6
Mr. Ho Meng *	6/6
Mr. Mathew Thomas A/L Vargis Mathews	6/6
Dato' Mohd Zaini Bin Hassan	5/6
Mr. Avinderjit Singh A/L Harjit Singh	5/6
Ms. Loh Paik Yoong	6/6

* *resigned on 24 October 2019*

Company Secretary

All Directors have full access to the advice and services of the Company Secretaries, who are suitably qualified, experienced and competent. The Company Secretaries ensure that the Board procedures are adhered to at all times. The Company Secretaries play an advisory role to the Board on the Board's policies and procedures and advise the Board on any updates relating to new statutory and relevant regulatory requirements including corporate governance developments and the resultant implications of any change therein to the Group and Directors in respect of their duties and responsibilities.

The Company Secretary attends and ensures meetings of Board and Board Committees are properly convened while proper records of the deliberations at the meetings and resolutions passed are maintained accordingly at the registered office of the Company.

Access to Information and Advice

The Directors have full and timely access to information concerning the Company and the Group. The relevant meeting agenda complete with relevant meeting papers and matters for discussion are prepared and circulated to the Directors in advance prior to each Board and Board Committee meetings, which enable the Directors to have sufficient time to peruse and assess the meeting papers and obtain explanations from the Management or Company Secretary, in order to have a constructive and effective discussion at the meetings.

The Directors, whether as a full Board or in their individual capacity, may seek independent professional advice at the Company's expense on specific issues and gain access to relevant information whenever required to enable the Directors to discharge their duties more effectively.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

A. Board Responsibilities (Cont'd)

Board Charter

The Company's Board Charter which clearly sets out the respective roles and responsibilities of the Board as a whole, the individual Directors and the Board Committees, serves as a source of reference to the Directors. The Board Charter is publicly available on the Company's website at www.redtone.com.

The Board has reserved certain matters for collective decision of the Board for its review including the approval of Group strategic plans, financial statements, dividend policy, risk management, significant acquisitions and disposals, investments in significant joint ventures, significant property transactions, significant capital expenditure, Board appointments, Directors' fees and remuneration etc, to ensure proper delegation of authority to the Board Committees and Management without abdication of its responsibility.

Code of Conduct

The Board is guided by the Directors' Code of Best Practice embedded in the Board Charter which sets out the ethical standards, to ensure the Board upholds high standards of integrity and accountability at all times.

The Group has also in place a Code of Conduct and Ethics covering business ethics, workplace safety and employees' personal conduct to ensure all employees maintain and uphold a high standard of ethical and professional conduct in the course of performance of their duties and responsibilities. The Code of Conduct and Ethics is available on the Company's website at www.redtone.com.

Whistleblowing

A Whistleblowing Policy is in place to provide the appropriate communication and feedback channels to facilitate whistleblowing, as well as to guide and address any reports of wrongdoing under the Code of Conduct and Ethics, including communication through the Company's website. The Whistleblowing Policy, which is published on the Company's website, sets out the processes and procedures for employees or members of the public to report genuine concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal.

B. Board Composition

Board Composition and Balance

During the financial period ended 30 June 2019, the Board comprised of eight (8) Directors, comprising three (3) Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements of Rule 15.02 of the ACE Market Listing Requirements of Bursa Securities, which stipulates that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are independent directors.

The Board acknowledges and takes cognisance of Practice 4.1 of the Code, which requires at least half of the Board to comprise of independent directors. Nevertheless, the Board is of the view that the current composition of the Board provides a reasonable check and balance within the Board, which sufficiently enables it to discharge its duties objectively and the Board's decisions are made with adequate independent supervision.

The Board Chairman is a Non-Independent Non-Executive Director, who by virtue of Her Royal Highness' non-executive position, does not participate in the day-to-day management of the Group's businesses. In addition, the Company's Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board. The Board is of the opinion that this deviation from the Code will not significantly impair the corporate governance framework of the Company, and the Board's decisions are made objectively with adequate independent supervision.

The profiles of the Directors are set out in the Board of Directors' Profile of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

B. Board Composition (Cont'd)

<u>Board Committees</u>

For the effective functioning of the Board, the Board has established the following Board Committees to assist in the discharge of its stewardship role:

(i) Audit Committee;
(ii) Nomination Committee; and
(iii) Remuneration Committee.

The Board Committees operate within clearly defined terms of reference which are duly approved by the Board. The Chairman of the respective Board Committees report to the Board on proceedings and outcome of the Board Committee meetings, together with their recommendations, while the ultimate responsibility for decision making lies with the Board.

<u>Nomination Committee</u>

The Nomination Committee, chaired by the Senior Independent Non-Executive Director is established to assist the Board to consider, identify and nominate new candidates for directorship and Board Committees' membership. The Nomination Committee assesses a candidate's profile, skills, knowledge, expertise, experience, time commitment, character, professionalism and integrity before recommending the candidate for appointment as a new director to the Board for consideration.

In discharging its responsibilities, the Nomination Committee performed the following activities during the financial period ended 30 June 2019:

- Conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each Director and Board Committee;

- Assessed the independence status of the Independent Non-Executive Directors of the Company;

- Evaluated the performance of the Board Committees and each of its members;

- Reviewed and recommended to the Board, the re-election of the Directors who were due for re-election by rotation at the Sixteenth Annual General Meeting of the Company;

- Recommended to the Board on the retention of Mr. Mathew Thomas A/L Vargis Mathews, the Senior Independent Non-Executive Director of the Company, who has served the Board for more than twelve (12) years, to be retained as an Independent Non-Executive Director of the Company pursuant to the MCCG; and

- In accordance with Rule 15.20 of the ACE Market Listing Requirements of Bursa Securities, the Nomination Committee also reviewed the terms of office and performance of the Audit Committee and each of its members. The Nomination Committee was satisfied that the Audit Committee and its members had carried out their duties in accordance with the terms of reference of the Audit Committee.

<u>Tenure of Independent Directors</u>

The Company does not have term limits for Independent Directors as the Board believes there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and in-depth knowledge of the Company's business and affairs coupled with their calibre, qualifications, experience and personal qualities.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

B. Board Composition (Cont'd)

Tenure of Independent Directors (Cont'd)

Practice 4.2 of the Code states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Nonetheless, Practice 4.2 also states that the Board should justify and seek annual shareholders' approval if the Board intends to retain an independent director beyond nine (9) years. If the Board continues to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

Mr. Mathew Thomas A/L Vargis Mathews was appointed to the Board on 15 November 2003 and as such, his tenure of service on the Board as an Independent Non-Executive Director has exceeded a cumulative term of more than twelve (12) years. However, the Nomination Committee and the Board have duly assessed, determined and confirmed that Mr. Mathew Thomas A/L Vargis Mathews, who has served on the Board in the capacity of an independent director for more than twelve (12) years, remains objective and independent in expressing his views and in participating in the deliberation and discussion of the Board and Board Committees. His vast knowledge and strength especially in the areas of finance is invaluable to the mix of skills of the Board. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and his ability to act in the best interest of the Group. Mr. Mathew Thomas A/L Vargis Mathews has demonstrated independence and objectivity in carrying out his role as a member of the Board and Board Committees, notably in fulfilling his role as Chairman of the Audit Committee and Nomination Committee.

The Board will recommend and seek the shareholders' approval through a two-tier voting process at the forthcoming Annual General Meeting ("AGM") to retain Mr. Mathew Thomas A/L Vargis Mathews as an Independent Non-Executive Director of the Company.

Boardroom Diversity

The Board acknowledges the importance of diversity in terms of age, gender and race, and recognises the benefits of this diversity. The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. Therefore, the Company does not set any specific target for boardroom diversity but will actively work towards achieving the appropriate boardroom diversity.

The Board currently has two (2) female Directors, namely YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail and Ms. Loh Paik Yoong. The Board is comfortable with the current size and composition which is balanced and appropriate, where the required mix of skills, experience and industry-specific knowledge of the respective Directors are sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements. The Board will continue to be mindful of the gender diversity guideline when considering future changes to the Board's composition.

Appointment and Re-election to the Board

The Board delegates to the Nomination Committee the responsibility of recommending and considering the prospective candidates for new appointments to the Board. The Board takes cognisance of the guidelines of the Code to utilise a variety of approaches and sources to identify suitable candidates, which may include sourcing from a directors' registry, open advertisements or the use of the independent search firms. The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and formal and the appointments are made on merits.

During the financial period under review, there were no new appointment of Board members. The Board will, from time to time continue to review its composition and size to ensure its effectiveness in its pivotal role in the stewardship of its strategic business direction and ultimately in the enhancement of its long-term shareholder value.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

B. Board Composition (Cont'd)

Appointment and Re-election to the Board (Cont'd)

The retiring Directors standing for re-election at the AGM are recommended by the Nomination Committee. Thereafter, the Board approves and recommends for tabling to the shareholders for approval at the AGM. According to Article 85 of the Company's Articles of Association ("AA"), all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. Article 85 of the AA further provides that at every AGM of the Company, one-third (1/3) of the directors shall retire from office and shall be eligible for re-election at the same AGM. New directors appointed by the Board are also subject to re-election by the shareholders at the next AGM following their appointment in accordance with Article 92 of the AA of the Company.

Board and Board Committees' Annual Assessment

The Board, through the Nomination Committee conducts annual assessment of the Board, Board Committees and individual Directors to assess their performance and to identify areas for improvement. The annual assessment comprises Board and Board Committee Assessments, Board Skills Matrix Evaluation and Audit Committee Assessment which are guided by the Corporate Governance Guide 3rd Edition issued by Bursa Malaysia Berhad. They are completed by the respective Board Committees and Directors, to provide feedback, views, and suggestions for improvement. The results of the assessments and comments by Directors are summarised and deliberated at the Nomination Committee meeting and thereafter, the Nomination Committee Chairman will report the results of the assessment to the Board.

The assessment of the Board and Board Committees is based on specific criteria, covering areas such as the Board structure, mix of skills, Board operations, roles and responsibilities of the Board and Board Committees as well as the Chairman's role and responsibilities.

The annual assessment enables the Board to ensure that each of the Board member has the competency, experience, character, integrity and time availability, including the right mix of skills to effectively discharge their respective roles. On an overall basis, the Board is satisfied with the results of the assessment, whereby the size of the Board is optimum, well-balanced with the appropriate mix of skills and experience in the composition of the Board.

Directors' Training

The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge. The Board shall ensure compliance with the Mandatory Accreditation Program as required by Bursa Securities for the newly appointed Directors. Newly appointed Directors are invited to attend an in-house orientation programme which is usually conducted after their effective appointment date.

All Directors have attended relevant trainings, conferences and seminars on an ongoing basis to ensure that they are kept abreast of the latest developments and changes to the regulatory requirements that may affect their roles as Directors of the Company. The Nomination Committee will also assess the training needs of the Directors from time to time to ensure the Directors are equipped with relevant knowledge and skills to discharge their duties more effectively.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

B. Board Composition (Cont'd)

Directors' Training (Cont'd)

During the financial period under review, the continuous education programmes attended by the Directors are as follows:

Director	Title of Programmes/Seminars/Courses/Forum
YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail	• Advocacy Programme on CG Assessment Using the Revised ASEAN CG Scorecard Methodology
Mr. Lau Bik Soon	• Advocacy Programme on CG Assessment Using the Revised ASEAN CG Scorecard Methodology • Challenging New Heights of Horizon • Vistage CEO Summit - CEO Transformation Journey • Digital Free Trade Zone (DFTZ) "What's in it for you?" • Managing Generation Y & Z in Your Organization • Personal Story Telling in Business • The New World of Social Media Sales
Dato' Ismail Bin Osman	• Accelerate Workshop Series – Brain Based Leadership • Accelerate Workshop Series – Be the Change
Mr. Ho Meng	• Advocacy Programme on CG Assessment using the revised ASEAN CG Scorecard Methodology • MIA International Accountants Conference 2018 • Budget 2019 Seminar – Fiscal Discipline in Driving Sustainable Growth • Powertalk "Revisiting The Misconception of Board Remuneration" • Bursa Malaysia Thought Leadership Series – Leadership Greatness in Turbulent Times: Building Corporate Longevity • CG Advocacy Programme – Cyber Security in the Boardroom
Mr. Mathew Thomas A/L Vargis Mathews	• Budget Seminar 2019 • Understanding and applying new technical requirements on MFRS16 Leases • Financial Instruments updates
Dato' Mohd Zaini Bin Hassan	• Sustainability Engagement Series for Directors / CEOs (ACE Market)
Mr. Avinderjit Singh A/L Harjit Singh	• Continuing Professional Development Programme – Financial Insights for Listed Companies • Tax Audit and Investigation
Ms. Loh Paik Yoong	• International Professional Practices Framework for Audit Committee • Tax and Business Summit 2018 • 2019 Budget: What You Need to Know: The Economy, Capital Market and You • 2019 Budget Proposals & Special Program for Voluntary Disclosure • Cyber Security in the Boardroom – "Accelerating from Acceptance to Action" • Accelerating the Fourth Industrial Revolution in Malaysia 2019 • IFN Asia Forums 2019 • World Capital Markets Symposium: Renaissance of Capitalism: Market for Growth 2018

The Directors continue to gain updates through the briefings by Company Secretary, Internal and External Auditors during the quarterly meetings as well as communications with other Directors and their daily work exposures. In addition, the Directors are also updated from time to time by the Company Secretary on any change to legal and governance practices, new accounting and auditing standards that may have impact on the Group's businesses via electronic means.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

C. Remuneration

The Group strives to ensure that there are formal and transparent directors' remuneration policies and procedures in place to attract and retain Directors of the calibre needed to run the Group successfully.

The Board has established a Remuneration Committee with an objective to assist the Board in recommending a fair and attractive remuneration framework, which includes the remuneration packages and other terms of employment for the Executive Directors and Senior Management. In formulating the framework and levels of remuneration, the Remuneration Committee ensures the remuneration policy remains supportive of the Company's corporate objectives, is aligned with the interests of the shareholders, is able to attract, retain and motivate the Executive Directors and Senior Management, and is reflective of their experience and level of responsibilities.

The Board, as a whole, determines the fees of the Non-Executive Directors, with each Director concerned abstaining from any decision with regards to his/her own remuneration. Taking into account the performance of the Group and the responsibilities of the Directors, the Directors' fees are set in accordance with a remuneration framework comprising responsibility fees and attendance fees.

Details of the Directors' remuneration categorised into appropriate components for the financial period ended 30 June 2019 are as follows:-

	Company				Group			
	Salaries/ Bonus (RM)	Fees (RM)	Benefits-in-kind (RM)	Other Emoluments^ (RM)	Salaries/ Bonus (RM)	Fees (RM)	Benefits-in-kind (RM)	Other Emoluments^ (RM)
Executive Directors								
Mr. Lau Bik Soon	–	–	–	–	866,000	–	111,500	127,000
Dato' Ismail Bin Osman	–	–		–	266,000	–	9,300	23,700
Mr. Ho Meng *	–	–	–	–	140,000	–	–	27,400
Non-Executive Directors								
YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail	–	420,000	–	7,900	–	–	–	–
Mr. Mathew Thomas A/L Vargis Mathews	–	84,000	–	17,700	–	–	–	–
Dato' Mohd Zaini Bin Hassan	–	57,600	–	13,400	–	–	–	
Mr. Avinderjit Singh A/L Harjit Singh	–	47,800	–	9,200	–		–	–
Ms. Loh Paik Yoong	–	47,800	–	19,000	–	–	–	–

Notes:-

^ *Other emoluments are inclusive of meeting allowance and employer's provident fund contributions*
* *Resigned on 24 October 2019*

The Board has considered and is of the opinion that the disclosure of the top five (5) Senior Management's remuneration on a named basis would not be in the best interest of the Group due to confidentiality and security concerns as well as the competitive conditions for talent in the telecommunications industry.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

A. Audit Committee

The principal objective of the Audit Committee as guided by its terms of reference, is to assist the Board in discharging its statutory duties and responsibilities relating to financial reporting process and internal controls of the Group.

The Audit Committee comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, all of whom possess a wide range of necessary skills and are financially literate to effectively discharge their duties. The Audit Committee is chaired by the Senior Independent Non-Executive Director, Mr. Mathew Thomas A/L Vargis Mathews, who is not the Chairman of the Board.

None of the Audit Committee members was a former key audit partner of the Company.

The terms of reference of the Audit Committee has been revised to reflect the requirement pursuant to Practice 8.2 of the MCCG which stipulates that no former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years.

The Audit Committee has explicit authority to communicate directly with the external auditors. The external auditors are invited to attend the Audit Committee meeting at least twice a year to discuss their audit plan and their audit findings on the Company's yearly financial statements. In addition, the Audit Committee will also have private sessions with the external auditors without the presence of the Executive Directors and Management to discuss any concerns including the Management's cooperation in the audit process, quality and competency in the financial reporting function, sharing of information and audit issues encountered during the course of their audit work.

The Audit Committee annually reviews and assesses the performance, suitability, objectivity and independence of the external auditors and the level of non-audit services rendered by the external auditors which may impair their objectivity and independence as external auditors of the Company. After assessing the suitability and independence of the external auditors, Messrs. Ernst & Young ("EY"), the Audit Committee has recommended to the Board for approval, the re-appointment of EY as external auditors of the Company for the ensuing financial year ending 30 June 2020.

An overview of the summary of works undertaken by the Audit Committee is set out in the Audit Committee Report of this Annual Report.

B. Risk Management and Internal Control Framework

<u>Risk Management and Internal Control</u>

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and effective system of internal control. The Board has the overall responsibility to review and monitor the Group's risk management and internal control system which provides reasonable assurance of an effective and efficient operation, compliance with laws and regulations and to safeguard shareholders' investment and the Group's assets. A Management-level Risk Management Committee, headed by the Group Chief Executive Officer, which reports to the Audit Committee oversees the Enterprise-Wide Risk Management Program, a program to assist in the identification and management of the significant risks faced by the Group.

Details of the Company's risk management framework and internal control system are disclosed in the Statement on Risk Management and Internal Control of this Annual Report.

For the financial period ended 30 June 2019, the Board had reviewed the risk management and internal control system of the Group and is of the view that the system is adequate and effective as there were no material weaknesses and/or reported shortfalls in the risk management practices and internal control system which resulted and/or gave rise to any material loss, contingency and/or uncertainty to the Group.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

B. Risk Management and Internal Control Framework (Cont'd)

Internal Audit Function

The Group's internal audit function is outsourced to an independent professional consulting firm, Messrs. Stanco & Ruche Consulting, who assists the Audit Committee and the Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance and internal control system. The internal audits carried out by the internal auditors are guided by the internal audit standards promulgated by the Institute of Internal Auditors Inc, a globally recognised professional body for internal auditors.

The internal auditors report independently and directly to the Audit Committee on the Group's internal audit function, which is independent of the Board and Management. The internal audit function is carried out in accordance with the annual Internal Audit Plan as approved by the Audit Committee and all audit findings arising therefrom are reported to the Audit Committee.

Further details on the Group's internal audit function is set out in the Audit Committee Report of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Communication with Stakeholders

The Board acknowledges the importance of establishing the corporate disclosure procedures to enable timely, comprehensive and accurate disclosures relating to the Group to the regulators, shareholders and stakeholders. The timely release of financial results, announcements of the Group's performance on a quarterly basis and announcements on the Group's material transactions provide the shareholders with an overview of the Group's performance and operations.

The Company is committed to ensuring that information communicated to the public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

The Board has adopted a formal Shareholders' Communication Policy to provide guidance as well as to ensure a consistent approach towards the Company's communication with the shareholders.

In ensuring effective, transparent and regular communication with its stakeholders, the following communication channels are mainly used by the Company in disseminating information:-

- The Company maintains a website at www.redtone.com to facilitate access to pertinent information concerning the Group and its operations by the shareholders, consumers and general public. The Company's website includes weblinks to all announcements, annual reports and financial results made by the Company to Bursa Securities as well as the latest information of the Group;

- General Meetings which serves as the principal forum for dialogue with shareholders where they may raise questions or seek clarifications on the Company's business and reports from the Company's Directors; and

- 'Facebook' page, namely, "redtonemalaysia" where corporate events and staff activities are posted as a way to engage with the employees and general public.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

B. Conduct of General Meetings

The AGM serves as the annual principal forum for dialogue between the Board of Directors and the shareholders, in gathering meaningful feedback and to leverage on the insights of shareholders. Shareholders will be provided with ample time to ask questions or seek clarifications from the Company's Directors in relation to the Company's business and results.

All Directors, Senior Management and the External Auditors attend the AGM. During the AGM, shareholders who attend the AGM are encouraged and given sufficient opportunity as well as time by the Board to raise questions pertaining to the Annual Report, resolutions being proposed and the business of the Company or the Group in general prior to seeking approval from members and proxies on the resolutions. All Directors and the Chair of every Board Committee, as well as Senior Management, where appropriate, will provide feedbacks, answers and clarifications to the questions raised from the shareholders during the AGM.

Notice of the AGM and the annual report together with the financial statements are sent out to shareholders at least twenty-eight (28) days before the date of the meeting to facilitate the shareholders to review the annual report, to appoint proxies and collate questions to be raised at the AGM.

Each item of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of the proposed resolution.

Rule 8.31A of the ACE Market Listing Requirements of Bursa Securities requires any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, to be voted by poll. As such, the Board shall table all the resolutions at the forthcoming AGM by way of poll voting and an independent scrutineer will also be appointed to monitor the conduct of the polling.

This Corporate Governance Overview Statement was approved by the Board of Directors on 3 October 2019.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no corporate proposals involving fund raising carried out during the financial period under review.

AUDIT AND NON-AUDIT FEES

The details of the statutory audit and non-audit fees paid/ payable to Messrs. Ernst & Young for services rendered to the Group and Company for the financial period ended 30 June 2019 are as follows:

	Group RM	Company RM
Audit fees	397,500	105,000
Non-audit fees	95,000	45,000
	492,500	150,000

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Group involving the interest of Directors and Major Shareholders, either still subsisting as at the end of the financial period or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

At the Sixteenth Annual General Meeting ("AGM") of the Company held on 16 October 2018, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPTs") of a revenue or trading in nature with related parties.

Pursuant to Rule 10.09(2)(b) and Paragraph 3.1.5 of the Guidance Note 8 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial period ended 30 June 2019 pursuant to the shareholders' mandate are set out below:-

	REDtone and/or its subsidiaries	Transacting Parties	Nature of Transactions	Aggregate value of transactions during the financial period from 1 May 2018 to 30 June 2019 (RM'000)
Berjaya Corporation Berhad ("BCorporation") and its unlisted subsidiary companies:-				
1.	REDtone Group	BCorporation	Management fees payable by REDtone Group for services rendered that include, inter-alia, the provision of finance, secretarial and general administrative services.	73
2.	REDtone Data Centre Sdn. Bhd. ("RDC")	BCorporation Group	Provision of data centre and cloud related services by RDC.	841
3.	REDtone Group	Berjaya Registration Services Sdn Bhd	Receipt of share registration services, printing and mailing services by the REDtone Group.	28
4.	REDtone Group	E.V.A Management Sdn Bhd	Receipt of human resource management services by the REDtone Group.	34

Additional Compliance Information
(Cont'd)

RECURRENT RELATED PARTY TRANSACTIONS (CONT'D)

	REDtone and/or its subsidiaries	Transacting Parties	Nature of Transactions	Aggregate value of transactions during the financial period from 1 May 2018 to 30 June 2019 (RM'000)
Berjaya Media Berhad and/or its unlisted subsidiary company				
5.	REDtone Group	Sun Media Corporation Sdn Bhd	Procurement of advertising and publishing services by the REDtone Group.	5
Berjaya Assets Berhad and/or its unlisted subsidiary company				
6.	REDtone Telecommunications Sdn. Bhd. ("RTC")	Berjaya Times Square Sdn Bhd	Rental payable by RTC at RM6,100 per month for renting of rooftop space at Lot No TB-Roof-02B and Lot No TB-Roof-02D at Berjaya Times Square, Jalan Imbi, Kuala Lumpur. Tenure of the rental agreement is for a period of 2 years and renewable thereafter.	85
Other Related Parties				
7.	RDC	Berjaya Sompo Insurance Berhad	Provision of data centre and cloud related services by RDC.	218
8.	RDC	Singer (Malaysia) Sdn Bhd	Provision of data centre and cloud related services by RDC.	44
9	RTC	Best Media Network Sdn Bhd ("Best Media")	Rental receivable by RTC at RM2,500 per month for renting of Suite 26, 3rd Floor, IOI Business Park, 47100 Puchong, Selangor Darul Ehsan. Tenure of the rental agreement is for a period of 2 years and renewable thereafter.	38
10.	REDtone Group	Best Media	Purchase of airtime and online web branding on Best FM Radio by the REDtone Group.	35

AUDIT COMMITTEE REPORT

The Board of Directors of REDtone International Berhad is pleased to present the Audit Committee Report to provide insights on the discharge of the Audit Committee's functions for the financial period ended 30 June 2019.

OBJECTIVE

The Audit Committee ("the Committee") is established to assist and support the Board of Directors in fulfilling its fiduciary responsibilities by assisting the Board to review the adequacy and integrity of the Group's financial administration and reporting as well as the internal control in accordance with the Terms of Reference of the Audit Committee of REDtone International Berhad.

MEMBERSHIP AND MEETING ATTENDANCE

The current members of the Audit Committee are as follows:

Chairman
Mr. Mathew Thomas A/L Vargis Mathews (Senior Independent Non-Executive Director)

Members
Dato' Mohd Zaini Bin Hassan (Independent Non-Executive Director)
Ms. Loh Paik Yoong (Non-Independent Non-Executive Director)

The details of attendance of each member at the Audit Committee meetings held during the financial period ended 30 June 2019 are as follows:

Director	Designation	Attendance
Mr. Mathew Thomas A/L Vargis Mathews	Chairman	12/12
Dato' Mohd Zaini Bin Hassan	Member	10/12
Ms. Loh Paik Yoong	Member	12/12

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee (included in the Board Charter) is made available on the Company's website, www.redtone.com.

SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD UNDER REVIEW

During the financial period ended 30 June 2019, the Committee had carried out the following activities to discharge its functions and duties in line with its Terms of Reference:-

Financial Reporting

- Reviewed the unaudited quarterly results of the Group for the financial quarters ended 30 April 2018, 31 July 2018, 31 October 2018, 31 January 2019, 30 April 2019 and the 2-month period from 1 May 2019 to 30 June 2019 before recommending the same for the Board approvals and release to Bursa Malaysia Securities Berhad;

- Reviewed the annual audited financial statements of the Company and of the Group for the financial year ended 30 April 2018, the issues arising from the audit, their resolutions and the independent auditors' report prepared by the External Auditors prior to recommending to the Board for approval; and

- Reviewed the changes in and implementation of major accounting policies and practices to ensure the compliance with approved accounting standards and adherence to other legal regulatory requirements.

Audit Committee Report
(Cont'd)

SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD UNDER REVIEW (CONT'D)

External Audit

- Reviewed the Audit Plan of the Group for the financial period ended 30 June 2019 prepared by the External Auditors, setting out the responsibilities of the External Auditors, their scope of work and key audit areas in connection with their audit of the Group;
- Reviewed the Status Report prepared by the External Auditors in respect of the audit for the financial year ended 30 April 2018 covering updates on matters to highlight and significant outstanding matters from the audit field work;
- Reviewed the 2018 Report to the Audit Committee prepared by the External Auditors for the financial year ended 30 April 2018 upon the completion of the audit work;
- Had private sessions with the External Auditors without the presence of Executive Directors and Management;
- Reviewed the proposed audit fees for the financial year ended 30 April 2018 and recommending to the Board for approval; and
- Reviewed and assessed the performance of the External Auditors and made recommendations to the Board on their re-appointment.

Internal Audit

- Reviewed and approved the annual internal audit plan for the financial period ended 30 June 2019 to ensure adequate scope of coverage over the activities of the Group; and
- Reviewed the Internal Audit Reports tabled during the financial period including the internal auditors' observations and recommendations, and the management's response to these recommendations. The scope of internal audit reviewed during the financial period ended 30 June 2019 were in respect of Procurement, Contract Acceptance and Sales Closure, Management Information System, Billing and Sales & Service Tax, Payroll Processing and Salary and Personal Data Protection.

Whistleblowing

- Reviewed the proposed revision in the Whistleblowing Policy before recommending the same to the Board for approval and adoption; and
- Reviewed the whistleblowing reports received, investigation reports and recommendations from the whistleblowing prescribed officer before recommending the same to the Board for approval.

Related Party Transactions

- Reviewed the related party transactions on a quarterly basis and against the annual mandate approved by the shareholders;
- Reviewed the possibilities of conflict of interest situations which may arise within the Group; and
- Reviewed the Circular to Shareholders in relation to the Proposed Renewal of and New Shareholders' Mandates for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 28 August 2018.

SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD UNDER REVIEW (CONT'D)

Oversight of Risk Management and Internal Control

- Received updates on the Enterprise Risk Management of the Group to ensure that sufficient level of controls are in place to safeguard the Group's assets;

- Reported to the Board on significant issues discussed during the Committee's meetings which have significant impact on the Group from time to time, for consideration and deliberation by the Board; and

- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report 2018 of the Company.

INTERNAL AUDIT FUNCTION

The Committee is supported by an independent professional consulting firm, Messrs. Stanco & Ruche Consulting in the discharge of its duties and responsibilities with regards to the internal audit function of the Group. Based on the audits, the outsourced Internal Auditors had provided the Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures.

The functions of the outsourced Internal Auditors are to:

1. Perform audit work in accordance with the pre-approved internal audit plan, which covers reviews of the internal control system, risk management and follow-up audits to address observations reported in preceding internal audit reviews;
2. Carry out reviews on the systems of internal control of the Group;
3. Review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and
4. Provide recommendations, if any, for the improvement of the internal control policies and procedures.

The Committee and Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue to outsource the Internal Audit function.

In compliance with the pre-approved internal audit plan for the financial period under review, the operational compliance reviews conducted were as follows:

- Management Information System Review
- Billing and Sales & Service Tax Review
- Payroll Processing and Salary Review
- Personal Data Protection Review

The Audit Committee reviews the internal audit reports, its recommendations and its subsequent follow-up review to determine the status of the internal controls, where applicable.

The fees incurred for the financial period ended 30 June 2019 in relation to the internal audit function for the Group was RM75,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of REDtone International Berhad recognises the importance of good corporate governance practices and is committed to maintaining a sound risk management and internal control system to safeguard shareholders' investment and the Group's assets.

The Board is pleased to set out below the Board's Statement on Risk Management and Internal Control ("Statement") which is prepared in accordance with Rule 15.26(b) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This Statement outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associate companies.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of risk management and internal control and continuously reviews the adequacy and integrity of the system. It should also be noted that the whole system of internal control is designed to manage and control risks appropriately rather than a definitive system designed for the total avoidance of risks or for eliminating the risk of business failure. As such, these systems can only provide reasonable but not absolute assurance against material misstatements or losses.

The system of risk management and internal control covers not only financial controls but also operational, commercial, regulatory and compliance controls. The Board believes that this is a continuing process and more importantly a concerted effort by all employees of the Group. As part of its review, the Board continues to take necessary measures to strengthen its risk management and internal control system to address any weaknesses identified. These processes are in place throughout the financial period under review and up to the date of approval of this Statement.

The Board has delegated to the Audit Committee the responsibility to review the internal control processes and to report to the Board in the event there is any major inadequacy of the internal control systems. A Management-level Risk Management Committee ("RMC") (headed by the Group Chief Executive Officer and comprising of key management personnel from the respective divisions), which reports to the Audit Committee, is established to assist and oversee the risk management system of the Group.

RISK MANAGEMENT FRAMEWORK

The Board regards the management of core risks as an integral and critical part of the day-to-day operations of the Group and it is embedded into the culture, processes and structures of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial period under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regime which are imperative in ensuring the accomplishment of the Group's objectives.

Day-to-day operations in respect of financial, commercial, legal compliance and operational aspects of the Group are closely monitored by the respective Heads of Department and Project Managers. The deliberation of risks and mitigation responses are discussed at periodic management meetings.

The Group has in place an Enterprise-Wide Risk Management Program ("ERM") to assist the RMC in identifying and managing significant risks faced by the Group. The RMC, guided by its Terms of Reference (included in the Board Charter and is available on the Company's website at www.redtone.com) is tasked to report to the Audit Committee on key risks identified and the implementation of action plans to mitigate the risks. The Board is constantly apprised by the Audit Committee and the RMC on the Group's risk profile, including action plans to address significant risks.

RISK MANAGEMENT FRAMEWORK (CONT'D)

The key features of the ERM framework are as follows:

- It outlines the ERM methodology on the identification of key business risks through a structured approach and to determine if controls are in place to mitigate the risks identified.
- It establishes guidelines to enable Management to prioritise the risks and allocation of resources to manage the risks.

During the financial period ended 30 June 2019, the RMC had reviewed the Key Risk Register and its controls. The RMC had then updated the Audit Committee and the Board of Directors on the risk management activities.

Meanwhile, the management of risks is an ongoing process of identifying, evaluating and managing the risks faced by the Group. Further assurance is provided by the Internal Audit function which operates across the Group with emphasis on key operating divisions within the Group. The Board shall, with the assistance from the Audit Committee and the RMC, re-evaluate the existing risk management practices, and where appropriate and necessary, revise such practices accordingly.

KEY INTERNAL CONTROL ELEMENTS

The key elements of the Group's Internal Control System include:

- Board Committees that assist the Board in overseeing the management of risks, each with clearly defined terms of reference, authorities and responsibilities. The standing committees of the Company include the Audit Committee, Nomination Committee and Remuneration Committee;
- Well defined organisational structure with clear lines of authority, accountability and responsibilities of the Management team;
- The Group Chief Executive Officer, Executive Directors and Senior Management are closely involved in the running of the day-to-day business and operations of the Group. They report to the Board on significant changes in the business and external environment which may affect the business operations of the Group at large;
- The Code of Conduct and Ethics is a vital and an integral part of the Group's control environment;
- All proposals for material capital expenditure and investment opportunities are reviewed by the Executive Committee and requires approval from the Board prior to the commitment of expenditure;
- An approved Limits of Authority matrix which defines the delegation of authority and the approval limits granted to the Management team;
- The Audit Committee reviews the effectiveness of the Group's system of internal control on behalf of the Board. The Audit Committee, which comprises of non-executive members of the Board, is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company as well as to all employees of the Group. The Audit Committee is also entitled to seek other third-party independent professional advice deemed necessary in the performance of its responsibility;
- The Audit Committee reviewed the internal control issues identified by the external and internal auditors, and action plans carried out by Management in respect of the findings arising therefrom. The internal auditors report directly to the Audit Committee. Findings together with the recommendations for improvements are communicated to the Management and reported to the Audit Committee while follow-up review is conducted to ensure all agreed recommendations are implemented accordingly. The internal audit plan is structured on a risk-based approach and is reviewed and approved by the Audit Committee;

Statement on Risk Management and Internal Control
(Cont'd)

KEY INTERNAL CONTROL ELEMENTS (CONT'D)

- The Company's performance is monitored regularly and the business objectives and plans are reviewed during the management meetings attended by respective division and business unit heads. The key operational and management issues are also resolved at these meetings. The Group Chief Executive Officer and Executive Directors meet regularly with Senior Management to consider the Group's financial performance, business initiatives and other management and corporate issues;

- There are sufficient reports generated in respect of the business and operating units to enable proper review of the operational and financial aspects of the Company. Management accounts are prepared timely and on a monthly basis and is reviewed by the Group Chief Executive Officer, Executive Directors and Senior Management; and

- The professionalism and competency of staff are enhanced through training and development programs. A performance management system is in place with established key performance indicators to measure and review staff performance on an annual basis.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional service provider to assist the Audit Committee as well as the Board in discharging their responsibilities by providing independent, objective assurance and advisory services that seek to add value and improve the Group's internal control system.

The Internal Auditors report independently and directly to the Audit Committee in respect of the internal audit function. The internal audit review is carried out in accordance with the scope of the internal audit plan as approved by the Audit Committee and all audit findings arising therefrom are reported to the Audit Committee.

The Internal Auditors had tabled the Internal Audit Reports in respect of their review on Procurement, Contract Acceptance and Sales Closure, Management Information System, Billing and Sales & Service Tax, Payroll Processing and Salary and Personal Data Protection during the financial period ended 30 June 2019.

The Internal Auditors have unrestricted access to all documents and records of the Group deemed necessary in the performance of its function. They independently review the risk identification procedures and control processes implemented by the Management. Internal Auditors also review the internal controls in the key activities of the Group's business based on the risk profiles of the business units in the Group. In addition, the Internal Auditors carry out periodic assignments to ensure the policies and procedures established by the Board are complied with by the Management. All reports and findings arising from these reviews are discussed primarily with the respective process custodians prior to a formal report being presented to the Audit Committee.

Based on the reports of the Internal Auditors, identified issues in internal control have been adequately addressed, and none of the weaknesses noted have resulted in any material losses, contingencies and uncertainties that would require separate disclosure in this Annual Report.

The Internal Auditors also provide recommendations to improve the operational and financial activities of the Group for the consideration of the Management and the Board to assist in the continuous development of a more efficient and comprehensive internal control environment.

The total cost incurred for the outsourced internal audit function for the financial period ended 30 June 2019 was RM75,000.

REVIEW BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the Annual Report for the financial period ended 30 June 2019. Their review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this Statement.

CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and Chief Financial Officer that the Group's current risk management and internal control system is operating adequately and effectively in all material aspects.

For the period under review, the Board has reviewed the risk management and internal control system and is of the view that the system is adequate and effective and no material weakness and/or reported shortfall in the risk management practices and internal control system has resulted and/or give rise to any material loss, contingency and/or uncertainty during the financial period under review. Nevertheless, the Board also recognises the fact that the Group's risk management and internal control system practices must continuously evolve to support the growth and dynamics of the Group as well as to meet the changing and challenging business environment. As such, the Board, in striving for continuous improvement, will put in place appropriate action plans to further enhance the system of internal controls and risk management practices.

This Statement was approved by the Board on 3 October 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

In Respect of the Audited Financial Statements for the Financial Period Ended 30 June 2019

The Companies Act 2016 ("Act") requires the Directors to present the financial statements of the Company and the Group in accordance with the Act and approved accounting standards which gives a true and fair view of the financial performance and the financial position of the Group and of the Company at the end of the financial period.

The Directors have placed reliance on the system of internal control within the Company and the Group to form a basis of reasonable grounds that the accounting systems and records maintained by the Company and the Group provide a true and fair view of the current state of affairs of the Company and the Group.

The Directors have further responsibility of ensuring that accounting records are kept with reasonable accuracy which enables the Company to provide a true and fair view of the financial results. In addition, the annual audited financial statements have been prepared based on relevant and appropriate accounting policies and with usage of reasonable and prudent judgment and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In compliance with the several responsibilities of the Directors, the Directors present the financial statements of the Company and the Group for the financial period ended 30 June 2019 as set out on pages 51 to 128 of this Annual Report.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial period ended 30 June 2019.

Principal activities

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are described in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities during the current financial period.

Change of financial year end

On 2 May 2019, the Company changed its financial year end from 30 April to 30 June to be coterminous with the ultimate holding company's financial year end. Consequently, the financial statements cover the period from 1 May 2018 to 30 June 2019.

Results

	Group RM'000	Company RM'000
Profit, net of tax	21,990	8,775
Profit attributable to:		
Owners of the parent	22,495	8,775
Non-controlling interests	(505)	-
	21,990	8,775

There were no material transfers to or from reserves or provisions during the financial period.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

On 26 August 2019, the Directors declared an interim single-tier dividend of 1.0 sen per ordinary share in respect of the financial period ended 30 June 2019 payable on 10 October 2019. The financial statements for the current financial period do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2020.

Issue of shares

During the financial period, the total share capital of the Company increased from RM147,524,275 to RM147,587,215 as a result of the issuance of 251,760 new ordinary shares resulting from the conversion of 2.75% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at the rate of ten ICULS into four ordinary shares at RM0.25 each in the Company.

The entire new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

Treasury shares

The Company did not repurchase any of its issued ordinary shares during the financial period ended 30 June 2019.

Of the total 758,479,932 (2018: 758,228,172) issued and fully paid-up ordinary shares as at the end of the financial period, 9,502,000 (2018: 9,502,000) ordinary shares are held as treasury shares by the Company amounting to RM5,653,000 (2018: RM5,653,000). Relevant details on the treasury shares are disclosed in Note 26 to the financial statements.

Options granted over unissued shares

During the current financial period, there was no option granted by the Company to any person to take up any unissued shares in the Company.

Directors

The names of the directors of the Company in office during the current financial period and during the period from the end of the financial period to the date of this report are:

YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail
Lau Bik Soon
Dato' Ismail Bin Osman
Ho Meng
Mathew Thomas A/L Vargis Mathews
Dato' Mohd Zaini Bin Hassan
Avinderjit Singh A/L Harjit Singh
Loh Paik Yoong

Directors of the Company's subsidiaries

The names of the directors of the Company's subsidiaries in office during the current financial period and during the period from the end of the current financial period to the date of this report are:

Lau Bik Soon
Dato' Ismail Bin Osman
Yau Chee Keong
Kenny Foo Jin Teck
Redza Imran Bin Abdul Rahim
Lai Kim Choy

Directors' benefits

Neither at the end of the financial period, nor at anytime during the current financial period, did there subsist any arrangement to which the Company was a party whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' Report
(Cont'd)

Directors' benefits (contd.)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Executive directors' remuneration:		
- Salaries and bonuses	1,988	-
- Other emoluments	418	26
	2,406	26
Non-executive directors' remuneration:		
- Fees	657	657
- Other emoluments	68	68
	725	725
Total directors' remuneration	3,131	751

The Company will indemnify its directors as part of the terms of their appointment against claims arising from the discharge of their duties by third parties. No payment has been made to indemnify the directors for the financial period ended 30 June 2019.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial period in shares in the Company and its related corporations during the current financial period are as follows:

	Number of ordinary shares			
	At 1 May 2018	Acquired	Disposed	At 30 June 2019
The Company				
Direct interests				
Lau Bik Soon	3,710,360	-	(300,000)	3,410,360
Mathew Thomas A/L Vargis Mathews	615,000	-	-	615,000
Dato' Mohd Zaini Bin Hassan	20,000	-	-	20,000

	Number of ordinary shares			
	At 1 May 2018	Acquired	Disposed	At 30 June 2019
Ultimate holding company, Berjaya Corporation Berhad				
Direct interests				
Loh Paik Yoong	859	-	-	859
Ho Meng	12,121	-	-	12,121

Directors' interests (contd.)

	Number of 2% ICULS 2016/2026			
	At 1 May 2018	**Acquired**	**Disposed**	**At 30 June 2019**
Ultimate holding company, Berjaya Corporation Berhad				
Direct interests				
Loh Paik Yoong	1,000	-	-	1,000

	Number of warrants			
	At 1 May 2018	**Acquired**	**Disposed**	**At 30 June 2019**
Ultimate holding company, Berjaya Corporation Berhad				
Direct interests				
Loh Paik Yoong	1,000	-	-	1,000

	Number of ordinary shares			
	At 1 May 2018	**Acquired**	**Disposed**	**At 30 June 2019**
Related company, Berjaya Land Berhad				
Direct interests				
Loh Paik Yoong	16,400	-	-	16,400

	Number of ordinary shares			
	At 1 May 2018	**Acquired**	**Disposed**	**At 30 June 2019**
Related company, Berjaya Sports Toto Berhad				
Direct interests				
Loh Paik Yoong	36,870	-	-	36,870

The other directors in office at the end of the financial period had no interest in shares and options over shares of the Company or its related corporations during the current financial period.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment of receivables and satisfied themselves that all known bad debts had been written off and that adequate impairment had been made for receivables; and

Directors' Report
(Cont'd)

Other statutory information (contd.)

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial period.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

Holding companies

The immediate holding company is Berjaya Group Berhad, a company incorporated in Malaysia. The ultimate holding company is Berjaya Corporation Berhad ("BCorp"), a public listed company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Significant event

On 19 March 2019, the Group entered into a supplemental letter of agreement with the shareholders of REDtone Mex Sdn Bhd ("REX"), which resulted in the loss of control in REX although the Group continues to hold 56% shareholding in REX. Nevertheless, the Group has significant influence over REX and accordingly has classified REX as an associate.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	387	105
Other auditors	11	-
	398	105

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young neither during the financial period nor since the end of the financial period.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 October 2019.

Dato' Ismail Bin Osman

Lau Bik Soon

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Ismail Bin Osman and Lau Bik Soon, being two of the directors of REDtone International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 51 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and the financial performance and the cash flows of the Group and the Company for the period from 1 May 2018 to 30 June 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 October 2019.

Dato' Ismail Bin Osman

Lau Bik Soon

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lau Hock Chye, being the officer primarily responsible for the financial management of REDtone International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Lau Hock Chye
at Puchong, Selangor Darul Ehsan
on 3 October 2019

Lau Hock Chye

Before me,

Khor Han Ghee (B476)
Commissioner for Oaths

STATEMENTS OF COMPREHENSIVE INCOME

For the financial period ended 30 June 2019

	Note	Group 1.5.2018 to 30.6.2019 RM'000	Group 1.5.2017 to 30.4.2018 RM'000	Company 1.5.2018 to 30.6.2019 RM'000	Company 1.5.2017 to 30.4.2018 RM'000
Revenue	3	211,391	118,081	-	-
Cost of sales		(126,207)	(65,586)	-	-
Gross profit		85,184	52,495	-	-
Other income	4	2,755	2,759	11,116	2,605
		87,939	55,254	11,116	2,605
General and administrative expenses		(49,774)	(46,630)	(1,816)	(1,387)
Investment related (expense)/ income		(2,521)	-	1,749	-
Finance costs	5	(1,100)	(2,111)	(194)	(166)
Share of result of associate		(937)	-	-	-
Profit before tax	6	33,607	6,513	10,855	1,052
Taxation	9	(11,617)	(1,744)	(2,080)	(363)
Profit for the period/year, representing total comprehensive income for the period/year		21,990	4,769	8,775	689
Profit attributable to:					
Owners of the parent		22,495	5,969	8,775	689
Non-controlling interests		(505)	(1,200)	-	-
		21,990	4,769	8,775	689
Earnings per share attributable to owners of the parent (sen per share):					
- Basic, for the period/year	10	2.91	0.77		
- Diluted, for the period/year	10	N/A	N/A		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2019

		Group		Company	
		30.6.2019	30.4.2018	30.6.2019	30.4.2018
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Goodwill	11	423	423	-	-
Property, plant and equipment	12	14,330	19,914	-	-
Investment properties	13	1,200	1,160	-	-
Intangible assets	14	24,783	37,014	-	-
Development costs	15	177	847	-	-
Investments in subsidiaries	16	-	-	9,557	10,272
Investments in associates	17	1,527	-	2,464	-
Deferred tax assets	18	3,423	5,350	-	-
		45,863	64,708	12,021	10,272
Current assets					
Inventories	19	349	437	-	-
Trade and other receivables	20	35,016	46,110	79,374	72,517
Contract assets	21	77,153	20,845	-	-
Tax recoverable		6,442	5,080	-	-
Other investment	22	15,114	17,605	-	-
Cash and bank balances	23	51,760	53,533	14	7
		185,834	143,610	79,388	72,524
Total assets		231,697	208,318	91,409	82,796

Statements of Financial Position
As at 30 June 2019
(Cont'd)

	Note	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000	Company 30.6.2019 RM'000	Company 30.4.2018 RM'000
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	24	147,587	147,524	147,587	147,524
Equity component of irredeemable convertible unsecured loan stocks ("ICULS")	25	2,226	2,289	2,226	2,289
Treasury shares	26	(5,653)	(5,653)	(5,653)	(5,653)
Reserves	27	17,162	(5,333)	(53,184)	(61,959)
		161,322	138,827	90,976	82,201
Non-controlling interests		(690)	3,720	-	-
Total equity		160,632	142,547	90,976	82,201
Non-current liabilities					
Liability component of irredeemable convertible unsecured loan stocks	25	-	100	-	100
Loans and borrowings	28	1,543	1,664	-	-
Deferred tax liabilities	18	-	1,192	-	-
		1,543	2,956	-	100
Current liabilities					
Trade and other payables	29	62,898	47,621	187	215
Contract liabilities	21	6,261	9,695	-	-
Loans and borrowings	28	117	5,143	-	-
Provision for taxation		146	191	146	115
Liability component of irredeemable convertible unsecured loan stocks	25	100	165	100	165
		69,522	62,815	433	495
Total liabilities		71,065	65,771	433	595
Total equity and liabilities		231,697	208,318	91,409	82,796

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial period ended 30 June 2019

			|------ Non-distributable ------|					
	Share capital RM'000 (Note 24)	ICULS - equity component RM'000 (Note 25)	Treasury shares RM'000 (Note 26)	Foreign exchange reserve RM'000 (Note 27(a))	Revaluation reserve RM'000 (Note 27(b))	Accumulated losses RM'000 (Note 27)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 May 2017	147,359	2,454	(5,653)	(663)	641	(11,280)	132,858	4,920	137,778
Total comprehensive income	-	-	-	-	-	5,969	5,969	(1,200)	4,769
Transactions with owners									
- Issuance of shares pursuant to conversion of ICULS, representing total transaction with owners	165	(165)	-	-	-	-	-	-	-
At 30 April 2018	147,524	2,289	(5,653)	(663)	641	(5,311)	138,827	3,720	142,547

Statements of Changes in Equity
For the financial period ended 30 June 2019
(Cont'd)

	Share capital RM'000 (Note 24)	ICULS - equity component RM'000 (Note 25)	Treasury shares RM'000 (Note 26)	|------ Non-distributable ------| Foreign exchange reserve RM'000 (Note 27(a))	Revaluation reserve RM'000 (Note 27(b))	Accumulated profit/(losses) RM'000 (Note 27)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 May 2018	147,524	2,289	(5,653)	(663)	641	(5,311)	138,827	3,720	142,547
Total comprehensive income	-	-	-	-	-	22,495	22,495	(505)	21,990
Transaction with owners									
- Issuance of shares pursuant to conversion of ICULS	63	(63)	-	-	-	-	-	-	-
- Arising from disposal of a subsidiary	-	-	-	-	-	-	-	(3,905)	(3,905)
Total transaction with owners	63	(63)	-	-	-	-	-	(3,905)	(3,905)
At 30 June 2019	147,587	2,226	(5,653)	(663)	641	17,184	161,322	(690)	160,632

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial period ended 30 June 2019

(Cont'd)

	Share capital RM'000 (Note 24)	ICULS - equity component RM'000 (Note 25)	Treasury shares RM'000 (Note 26)	Accumulated losses RM'000 (Note 27)	Total equity RM'000
Company					
At 1 May 2017	147,359	2,454	(5,653)	(62,648)	81,512
Total comprehensive income	-	-	-	689	689
Transaction with owners					
- Issuance of shares pursuant to conversion of ICULS, representing total transaction with owners	165	(165)	-	-	-
At 30 April 2018	147,524	2,289	(5,653)	(61,959)	82,201
At 1 May 2018	147,524	2,289	(5,653)	(61,959)	82,201
Total comprehensive income	-	-	-	8,775	8,775
Transaction with owners					
- Issuance of shares pursuant to conversion of ICULS, representing total transaction with owners	63	(63)	-	-	-
At 30 June 2019	147,587	2,226	(5,653)	(53,184)	90,976

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial period ended 30 June 2019

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Cash flows from operating activities				
Receipts from customers	167,457	161,004	-	-
Payments of operating expenses	(155,533)	(113,108)	-	-
Payments of taxes	(11,404)	(2,038)	(2,070)	(248)
Other (payments)/receipts	(266)	107	2,271	418
Net cash generated from operating activities	254	45,965	201	170
Cash flows from investing activities				
Net cash out flow on loss of control in a subsidiary (Note 16)	(387)	-	-	-
Decrease/(increase) in deposits and other investments	3,748	(22,445)	-	-
Acquisition of property, plant and equipment (Note 12)	(236)	(1,506)	-	-
Interest received	2,352	1,282	-	-
Government grant received	-	1,828	-	-
Net cash generated from/(used in) investing activities	5,477	(20,841)	-	-
Cash flows from financing activities				
Payment of hire purchase	(38)	(29)	-	-
Payment of lease liabilities	(32)	(367)	-	-
Drawdown of bank borrowings and other loans	-	11,408	-	-
Repayment of bank borrowings and other loans	(5,077)	(30,044)	-	-
Interest paid	(1,100)	(2,111)	(194)	(166)
Net cash used in financing activities	(6,247)	(21,143)	(194)	(166)

Statements of Cash Flows

For the financial period ended 30 June 2019

(Cont'd)

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Net change in cash and cash equivalents	(516)	3,981	7	4
Cash and cash equivalents at beginning of period/year	3,224	(757)	7	3
Cash and cash equivalents at end of period/year (Note 23)	2,708	3,224	14	7

(a) An analysis of changes in liabilities arising from financing activities for the financial period ended 30 June 2019 and financial year ended 30 April 2018 is as follows:

	Group			
	Hire purchase	Finance leases	Bank and other borrowings	Total
At 30 June 2019				
At beginning of financial period	116	32	6,659	6,807
Repayment	(38)	(32)	(5,077)	(5,147)
Interest paid	(6)	(278)	(816)	(1,100)
Other changes	6	278	816	1,100
At end of financial period	78	-	1,582	1,660
At 30 April 2018				
At beginning of financial year	145	399	28,381	28,925
Drawdown	-	-	11,408	11,408
Repayment	(29)	(367)	(30,044)	(30,440)
Interest paid	(7)	(16)	(2,088)	(2,111)
Other changes	7	16	(998)	(975)
At end of financial year	116	32	6,659	6,807

NOTES TO THE FINANCIAL STATEMENTS
30 June 2019

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia. The principal place of business is located at Suite 22-30, 5th Floor, IOI Business Park, 47100 Puchong, Selangor Darul Ehsan.

The immediate holding company is Berjaya Group Berhad, a company incorporated in Malaysia. The ultimate holding company is Berjaya Corporation Berhad ("BCorp"), a public listed company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are described in Note 16. There have been no significant changes in the nature of the principal activities during the current financial period.

On 2 May 2019, the Company changed its financial year end from 30 April to 30 June to be coterminous with the ultimate holding company's financial year end. Consequently, the financial statements cover the period from 1 May 2018 to 30 June 2019.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 3 October 2019.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis, unless otherwise indicated in the summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

2.2 Changes in accounting policies

On 1 May 2018, the Group and the Company adopted the following new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

Description	Effective for annual periods beginning on or after
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Adoption of the above new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations are either not relevant or do not have any effect on the financial performance or position of the Group and the Company except as discussed below:

MFRS 9: Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial instruments, impairment assessment based on the expected credit loss ("ECL") model and hedge accounting.

The Group and the Company have applied MFRS 9 retrospectively on the initial application date of 1 May 2018 and has elected not to restate comparatives, which continues to be reported under MFRS 139.

The effect of adopting MFRS 9 are as follows:

(a) Classification and measurement

MFRS 9 contains three classification categories of financial assets i.e. measured at amortised cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

MFRS 9 eliminates the previous MFRS 139 categories of held to maturity, loans and receivables and available for sale. Under MFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the new standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 May 2018.

Financial assets	Original classification under MFRS 139	New classification under MFRS 9
Group		
Trade and other receivables	Loans and receivables	Amortised costs
Deposits with financial institutions	Loans and receivables	Amortised costs
Cash and bank balances	Loans and receivables	Amortised costs

2. **Significant accounting policies (contd.)**

2.2 Changes in accounting policies (contd.)

MFRS 9: Financial Instruments (contd.)

(a) Classification and measurement (contd.)

Financial assets	Original classification under MFRS 139	New classification under MFRS 9
Company		
Trade and other receivables	Loans and receivables	Amortised costs
Deposits with financial institutions	Loans and receivables	Amortised costs
Cash and bank balances	Loans and receivables	Amortised costs

There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(b) Impairment

The adoption of MFRS 9 has replaced the 'incurred loss' approach in MFRS 139 with an ECL approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all financial assets measured at amortised cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments.

The Group has applied the simplified approach to calculate ECL which uses a lifetime expected loss allowance for trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics.

Upon adoption of MFRS 9, there is no significant impact to the Group.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 superseded the previous revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has applied MFRS 15 using the modified retrospective method with effect of initially applying this standard recognised at the date of initial application (i.e. 1 May 2018). Accordingly, the information presented for the financial year ended 30 April 2018 has not been restated.

Notes to the Financial Statements
30 June 2019
(Cont'd)

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 15: Revenue from Contracts with Customers (contd.)

The Group has assessed the effects of applying the new standard on the financial statements. The following tables summarise the impact of adopting MFRS 15 on the Group's statement of financial position as at 30 June 2019 for line items affected.

	Note	Prior to adoption of MFRS 15 RM'000	Effect of adoption of MFRS 15 RM'000	After adoption of MFRS 15 RM'000
Statements of financial position As at 30 June 2019:				
Amounts due from customers on contracts	(a)	77,153	(77,153)	-
Contract assets	(a)	-	77,153	77,153
Deferred income	(b)	6,261	(6,261)	-
Contract liabilities	(b)	-	6,261	6,261

(a) Amounts due from customers on contracts

Prior to the adoption of MFRS 15, revenue from managed telecommunication network services was recognised in accordance with MFRS 118: Revenue and when the total costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts.

Under MFRS 15, such amounts due from customers represents a right to consideration in exchange for goods or services transferred to the customer known as contract assets.

(b) Deferred income

Prior to the adoption of MFRS 15, the Group recognised part of the sale proceeds received from customers which relate to telecommunication revenue for which the service has not been rendered as deferred income. Under MFRS 15, it meets the definition of a contract liability.

2.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, the following new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretations were issued but not yet effective and have not been early adopted by the Group and the Company.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9: Prepayment Features with 'Negative Compensation	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint ventures	1 January 2019

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRS standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Share-based payment	1 January 2020
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14: Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101: Definition of Material	1 January 2020
Amendments to MFRS 108: Definition of a Material	1 January 2020
Amendments to MFRS 134: Interim Financial Reporting	1 January 2020
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138: Intangible Assets	1 January 2020
Amendments to IC Interpretation 12: Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132: Intangible Assets - Web Site Costs	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Deferred

Unless otherwise described below, the new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and Amendments to IC Interpretations above are either not relevant or do not have any significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of all the above new MFRSs, Amendments to MFRSs, Annual Improvements to MFRSs and Amendments to IC Interpretations.

<u>MFRS 16: Leases</u>

MFRS 16 will replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 16: Leases (contd.)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group plans to adopt MFRS 16 prospectively, with an initial application date of 1 July 2019. The Group will not restate the comparative information, which continues to be reported under MFRS 117. Differences arising from the adoption of MFRS 16 will be recognised directly in retained earnings and other components of equity.

The Group has assessed the estimated financial impact on its financial statements on initial application of MFRS 16. Upon adoption of MFRS 16, the significant impact on financial statements will arise from non-cancellable operating lease commitment for the use of computers and software. A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence, the Group will recognise the right-of-use assets and a corresponding liability in respect of these leases.

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

(b) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill. The accounting policy of goodwill is stated in Note 2.4(d)(i) to the financial statements.

Goodwill is carried at cost less accumulated impairment losses, if any. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(c) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(c) Investment in associates (contd.)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on usage based method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite life is made on a prospective basis.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Intangible assets (contd.)

(i) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(ii) Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:

(i) Its ability to measure reliably the expenditure attributable to the asset under development;
(ii) The product or process is technically and commercially feasible;
(iii) Its future economic benefits are probable;
(iv) Its intention to complete and the ability to use or sell the developed asset; and
(v) The availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Intangible assets (contd.)

(ii) Research and development expenditure (contd.)

The useful lives of development expenditure are assessed to be either finite or indefinite. Development expenditure with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the development expenditure may be impaired. The amortisation period and the amortisation method for the development expenditure with a finite useful life are reviewed at least at the end of each reporting period.

Capitalised development expenditure is amortised on a straight line basis over 5 years.

(iii) Spectrum rights

The Group's spectrum rights consist of telecommunications licences with allocated spectrum rights which were acquired as part of a business combination. Spectrum rights are considered to have an indefinite economic useful life and are not amortised but tested for impairment on an annual basis.

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.

(iv) Licences

Licences acquired relating to teleradiology, management and health record systems are measured on initial recognition at cost. The licences are considered to have an indefinite economic useful life and are not amortised but tested for impairment on an annual basis, and where an indication of impairment exists.

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.

(e) Fair value measurement

The Group measures financial instruments and certain non-financial assets, such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(e) Fair value measurement (contd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Capital work-in-progress comprises renovation in-progress and other assets which have not been commissioned. They are not depreciated.

Capital work-in-progress is capitalised in accordance with MFRS 116 Property, Plant and Equipment and is recognised as an asset when:

(i) It is probable that future economic benefits associated with the asset will flow to the enterprise; and
(ii) The cost of the asset to the enterprise can be measured reliably.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold and leasehold office lots	2%
Computers and software	10%
Furniture, fittings and office equipment	10%
Equipment, plant and machinery	10% - 20%
Renovations	10%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss in the year the asset is derecognised.

(g) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(g) Investment properties (contd.)

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(h) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(i) Inventories

Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories comprises cost of purchase of goods. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Other inventories not to be resold and for consumption purposes are classified as spares and consumables.

When necessary, due allowance is made for all damaged, obsolete and slow moving items. The Group writes down its obsolete or slow-moving inventories based on assessment of the condition and the future demand of the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

(j) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15. (refer to the accounting policies in Note 2.4 (s) Revenue recognition).

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(j) Financial assets (contd.)

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

(a) Financial assets at amortised costs (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables, deposits with financial institutions and cash and bank balances.

(b) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when such dividend represents a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income ("OCI"). Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group has not designated any equity instruments under this category.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(j) Financial assets (contd.)

(ii) Subsequent measurement (contd.)

(c) Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group's financial assets at FVTPL include investments in cash management funds.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred other rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(j) Financial assets (contd.)

(iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(k) Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call.

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Financial liabilities (contd.)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(ii) Other financial liabilities

Other financial liabilities of the Group and the Company include trade and other payables, and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Financial liabilities (contd.)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(m) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(n) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(o) Taxation

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Notes to the Financial Statements
30 June 2019
(Cont'd)

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(o) Taxation (contd.)

(ii) Deferred tax (contd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and Services Tax ("GST")

Where the GST incurred in a purchase of assets or services is not recoverable from the respective taxation authorities, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective taxation authorities at the reporting date, is included in trade and other payables or trade and other receivables accordingly in the statements of financial position.

(iv) Sales and Service Tax ("SST")

Revenue are recognised net of the amount of SST. The SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The amount of service tax payable to the taxation authority is included as part of payables in the statements of financial position.

(p) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(q) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employees benefits relating to employee services in the current and preceding financial years.

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

(r) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(r) Foreign currencies (contd.)

(ii) Foreign currency transactions (contd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(s) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(s) Revenue recognition (contd.)

Revenue from contracts with customers is measured at its transaction price which is the amount of consideration that the Group expects to be entitled in exchange for transferring the promised goods or services to a customer, net of applicable taxes, returns, rebates and discounts. Transaction price is allocated to each distinct performance obligation on the basis of its relative stand-alone selling price.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group's revenue from contracts with customers are further described below:

(i) Telecommunication services

(a) Revenue from voice and data services

Revenue from sale of voice, interconnection revenue and other network based services are recognised based on actual traffic volume net of rebates/discounts, when services are rendered.

Revenue from sale of data services, which are unlimited in usage, is recognised proportionately over the subscription period.

Revenue from sale of prepaid starter packs and prepaid phone cards where services have not been rendered are deferred (i.e. as disclosed as contract liabilities in trade and other payables) and recognised as revenue based on the actual use of the cards, net of taxes and discounts.

(b) Revenue from international airtime transfer ("IAT")

The Group purchases airtime value from suppliers and repackages the IAT cards and sells to end customers through third party dealers. Revenue from IAT is recognised net of SST and discounts upon the transfer of control of the IAT cards to the dealers.

(c) Revenue from sale of telecommunication hardware

Revenue relating to sale of hardware is recognised when the Group transfers the control over the hardware to customers, i.e. when the products are delivered to customers.

(ii) Managed Telecommunications Network Services ("MTNS")

Revenue from MTNS mainly comprises of revenue from contracts with customers to build, maintain and operate large scale WiFi hotspots, radio access network ("RAN") infrastructure and fibre optic infrastructure.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(s) Revenue recognition (contd.)

(ii) Managed Telecommunications Network Services ("MTNS") (contd.)

The Group's MTNS revenue from contracts with customers are further described below:

(a) Revenue from construction of telecommunication infrastructures

Revenue is recognised over time where the Group uses the input method by reference to the proportion of costs incurred for work performed to date to the estimated total costs to measure the progress towards the satisfaction of performance obligation.

(b) Revenue from maintenance and support services

Revenue is recognised over the contractual period or performance of the maintenance and support services.

(iii) Non-operating spectrum related income

Non-operating spectrum related income relates to the sale of spectrum bandwidths which are recognised based on number of subscribers net of rebates/discounts, when services are rendered.

(iv) Revenue from other telecommunications related services

Revenue from other telecommunication related services mainly comprise revenue from data centre services, Internet of Things ("IoT") services, cloud services and applications, and healthcare solutions to enterprises, government and the healthcare industry. Revenue is recognised when services are rendered.

(v) Other items of income

(a) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(c) Rental income

Rental income is recognised on an accrual basis.

(t) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(u) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

(v) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

(w) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. Treasury shares may be acquired and held by the Company. Consideration paid or received is recognised directly in equity.

(x) Irredeemable convertible unsecured loan stocks ("ICULS")

The ICULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of ICULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The interests on ICULS are recognised as interest expense in the profit or loss using the effective interest rate method.

Transaction costs are apportioned between the liability and equity components of the ICULS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

Notes to the Financial Statements

30 June 2019

(Cont'd)

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(y) Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Contract liabilities

A contract liability represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or an amount of consideration is due) from the customers. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

The contract liability of the Group primarily represents a part of the sale proceeds received from customers which relate to telecommunication revenue in which the service has not been rendered (i.e. advance billings and prepaid products sold to customers which are yet to be utilised).

Contract liability is recognised as revenue when the Group performs the services under the contract.

2.5 Significant accounting judgements and estimates

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and owner occupied properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 12.

(ii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Deferred taxation

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 18.

(iv) Fair value estimates for investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 30 June 2019. For the investment properties the valuer used a valuation technique based on a open market value approach. The key assumptions used to determine the fair value of the investment properties are further explained in Note 13.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty (contd.)

(v) Revenue recognition from construction of telecommunication infrastructures

The Group recognises revenue from construction of telecommunication infrastructures based on input method in accordance with the accounting policies set out in Note 2.4 (s).

Significant judgement is required in determining the extent of progress towards completion, the extent of the contract costs incurred, the estimated total revenue and total costs and the recoverability of the contract. In making these judgements, management relies on past experience and project leaders and engineers.

(vi) Allowance for ECL of trade receivables

The Group has applied the simplified approach to calculate expected credit lossed which uses a lifetime expected loss allowance on all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics. The information about ECLs on the Group's trade receivables is disclosed in Note 20.

(vii) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

Notes to the Financial Statements
30 June 2019
(Cont'd)

3. Revenue

	Group	
	1.5.2018 to 30.6.2019 RM'000	**1.5.2017 to 30.4.2018 RM'000**
Revenue from contract with customers	211,391	118,081

Set out below is the disaggregation of the Group's revenue from contract with customers.

	Group	
	1.5.2018 to 30.6.2019 RM'000	**1.5.2017 to 30.4.2018 RM'000**
Type of goods or services		
Telecommunication services	64,565	57,750
Managed Telecommunications Network Services	113,148	31,062
Revenue from construction of telecommunication infrastructures	79,286	4,353
Revenue from maintenance and support services	33,862	26,709
Non-operating spectrum related income	31,028	23,740
Other telecommunications related services	2,650	5,529
	211,391	118,081
Timing of revenue recognition		
At a point in time	16,075	19,088
Over time	195,316	98,993
	211,391	118,081

4. Other income

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	**1.5.2017 to 30.4.2018 RM'000**	**1.5.2018 to 30.6.2019 RM'000**	**1.5.2017 to 30.4.2018 RM'000**
Interest income	2,441	1,363	3,351	2,466
Others:	314	1,396	7,765	139
- Miscellaneous income	17	78	-	-
- Government grant received	-	1,052	-	-
- Office rental income	92	127	-	-
- Dividend income	-	-	7,600	-
- Fair value gain on an investment property	40	-	-	-
- Gain on ICULS conversion	165	139	165	139
	2,755	2,759	11,116	2,605

Notes to the Financial Statements
30 June 2019
(Cont'd)

5. Finance costs

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Interest expense on:				
- Bank overdrafts	-	39	-	-
- Bankers acceptance	-	41	-	-
- Finance leases	278	16	-	-
- ICULS	194	166	194	166
- Term loans	293	233	-	-
- Short term financing	-	247	-	-
- Bank guarantee	235	311	-	-
- Advances from a third party	-	973	-	-
Others	100	85	-	-
	1,100	2,111	194	166

6. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Amortisation of development costs and intangible assets (Note 14 and Note 15)	727	758	-	-
Audit fee:				
- statutory audits	398	329	105	102
- other services	128	34	45	-
Depreciation of property, plant and equipment (Note 12)	4,650	4,485	-	-
Directors' remuneration (Note 8)	3,131	3,037	751	720
Employee benefits expense (Note 7)	34,275	29,648	762	720
Investment related expense/(income):				
- loss/(gain) on deconsolidation of a subsidiary (Note 16)	2,521	-	(1,749)	-
(Gain)/loss on foreign exchange:				
- realised	(73)	272	-	-
- unrealised	(12)	81	-	-
Allowance for/(writeback of) expected credit loss for:				
- non-trade receivables (Note 20)	10	(43)	-	23
- trade receivables (Note 20)	(146)	379	-	-
Impairment loss on development costs (Note 15)	-	1,653	-	-
Provision for Universal Service Fund Contribution (Note 29(b))	1,224	1,208	-	-
Net provision of annual leave	82	63	-	-
Inventories written back	(7)	(185)	-	-
Inventories written off	-	168	-	-
Property, plant and equipment written off (Note 12)	538	58	-	-
Rental of computers	67	166	-	-
Rental of offices	488	633	-	-

7. Employee benefits expense

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Salaries, wages, bonuses and allowances	27,951	23,309	741	712
Defined contribution plan	3,331	3,122	5	6
Social security contribution	286	242	5	2
Other benefits	2,707	2,975	11	-
	34,275	29,648	762	720

8. Directors' remuneration

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Executive directors' remuneration:				
- Salaries and bonuses	1,988	1,926	-	-
- Other emoluments	418	416	26	25
	2,406	2,342	26	25
Non-executive directors' remuneration:				
- Fees	657	629	657	629
- Other emoluments	68	66	68	66
	725	695	725	695
Total directors' remuneration	3,131	3,037	751	720

9. Taxation

The major components of income tax expense for the period ended 30 June 2019 and year ended 30 April 2018 are:

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Current income tax:				
- Malaysian income tax	7,893	2,160	512	363
- Under provision in prior years	2,077	157	1,568	-
	9,970	2,317	2,080	363
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	1,884	(534)	-	-
- Over provision in prior years	(237)	(39)	-	-
	1,647	(573)	-	-
Total income tax expense	11,617	1,744	2,080	363

Notes to the Financial Statements

30 June 2019

(Cont'd)

9. Taxation (contd.)

Reconciliation between tax expense and accounting profit

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Profit before tax	33,607	6,513	10,855	1,052
Taxation at Malaysian statutory tax rate of 24%	8,066	1,563	2,605	252
Different tax rates in other countries	(6)	19	-	-
Income not subject to tax	(2,474)	(297)	(2,244)	-
Expenses not deductible	4,253	1,166	191	144
Deferred tax assets not recognised during the period/year	1,614	518	-	-
Recognition of previously unrecognised deferred tax assets during the period/year	(1,676)	(1,343)	(40)	(33)
Under provision of income tax in prior years	2,077	157	1,568	-
Over provision of deferred tax in prior years	(237)	(39)	-	-
Income tax expense for the period/year	11,617	1,744	2,080	363

Current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the period/year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period/year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue with voting rights during the financial period/year.

	Group	
	1.5.2018 to 30.6.2019	1.5.2017 to 30.4.2018
Profit attributable to owners of the parent (RM'000)	22,495	5,969
Weighted average number of ordinary shares in issue with voting rights ('000)	748,763	748,453
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	24,189	24,499
Adjusted weighted average number of ordinary shares ('000)	772,952	772,952
Basic earnings per share (sen):	2.91	0.77

10. Earnings per share (contd.)

(b) Diluted

There are no potential ordinary shares outstanding as at the end of the current financial period. As such, the fully diluted earnings per share of the Group is equivalent to the basic earnings per share.

11. Goodwill

	Group	
	30.6.2019 RM'000	**30.4.2018 RM'000**
Cost	9,522	9,522
Accumulated impairment losses	(9,099)	(9,099)
	423	423

(a) The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	Group	
	30.6.2019 RM'000	**30.4.2018 RM'000**
REDtone Engineering & Network Services Sdn. Bhd. ("RENS")	423	423

(b) The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by directors covering a period of 3 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	RENS	
	30.6.2019	**30.4.2018**
Average budgeted EBITDA margin	3.76%	23.82%
Average growth rate	-18.00%	76.61%
Discount rate	12.00%	8.47%
Terminal growth rate	3.00%	3.00%

The key assumptions represent management's assessment of future trends in the regional telecommunication industry and are based on both external sources and internal sources.

Management has determined the average budgeted EBITDA margin and weighted average growth rate based on past performance and its expectation of market development. The discount rates used are computed based on the weighted average cost of capital of the industry that the Group operates in.

<u>Sensitivity to changes in assumptions</u>

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

Notes to the Financial Statements
30 June 2019
(Cont'd)

12. Property, plant and equipment

	Freehold and leasehold office lots RM'000	Computers RM'000	Furniture, fittings and office equipment RM'000	Equipment, plant and machinery RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
Group							
At 30 June 2019							
Cost							
At 1 May 2018	6,186	10,196	1,882	47,364	6,312	391	72,331
Additions	-	77	14	98	47	-	236
Written off	(1)	(2,939)	(815)	(8,978)	(3,267)	-	(16,000)
Deconsolidation of a subsidiary	-	(682)	(99)	(10)	(332)	-	(1,123)
At 30 June 2019	6,185	6,652	982	38,474	2,760	391	55,444
Accumulated depreciation							
At 1 May 2018	1,388	8,462	1,435	34,706	6,270	156	52,417
Charge for the year (Note 6)	154	329	107	3,767	203	90	4,650
Written off	(2)	(2,937)	(796)	(7,710)	(4,017)	-	(15,462)
Deconsolidation of a subsidiary	-	(286)	(47)	(4)	(154)	-	(491)
At 30 June 2019	1,540	5,568	699	30,759	2,302	246	41,114
Net carrying amount	4,645	1,084	283	7,715	458	145	14,330

12. Property, plant and equipment (contd.)

	Freehold and leasehold office lots RM'000	Computers RM'000	Furniture, fittings and office equipment RM'000	Equipment, plant and machinery RM'000	Renovation RM'000	Motor vehicles RM'000	Assets in progress RM'000	Total RM'000
Group								
At 30 April 2018								
Cost								
At 1 May 2017	5,586	10,074	1,875	45,964	6,385	391	50	70,325
Additions	-	141	15	1,350	-	-	-	1,506
Written off	-	(5)	(8)	-	(73)	-	-	(86)
Government grant received	-	(14)	-	-	-	-	-	(14)
Reclassified from investment properties	600	-	-	-	-	-	-	600
Reclassification	-	-	-	50	-	-	(50)	-
At 30 April 2018	6,186	10,196	1,882	47,364	6,312	391	-	72,331
Accumulated depreciation								
At 1 May 2017	1,271	8,141	1,317	31,135	6,018	78	-	47,960
Charge for the year (Note 6)	117	325	120	3,571	274	78	-	4,485
Written off	-	(4)	(2)	-	(22)	-	-	(28)
At 30 April 2018	1,388	8,462	1,435	34,706	6,270	156	-	52,417
Net carrying amount	4,798	1,734	447	12,658	42	235	-	19,914

12. Property, plant and equipment (contd.)

The freehold and leasehold office lots of the Group have been pledged to licensed banks as security of banking facilities granted to the Group as disclosed in Note 28.

Included in the assets of the Group at the end of the reporting period were equipment with a total net book value of RM745,000 (2018: RM920,000) acquired under finance lease terms.

Included in the cost of property, plant and equipment of the Group are costs of fully depreciated assets which are still in use amounting to RM21,772,000 (2018: RM18,564,000).

The additions were acquired by way of:

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
Cash	236	1,506

13. Investment properties

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
Freehold office lots, at fair value		
At beginning of financial period/year	1,160	1,760
Reclassified to property, plant and equipment	-	(600)
Fair value gain recognised in the statements of comprehensive income (Note 4)	40	-
At end of financial period/year	1,200	1,160

During the previous financial year, in accordance with MFRS 140: Investment Property, the Group transferred one freehold office lot from investment properties to property, plant and equipment, as it was for internal use. At the date of transferring to property, plant and equipment, the fair value of the freehold office lot was RM600,000.

As at 30 June 2019, the fair value of the investment properties was based on independent valuations using the open market value approach. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued.

13. Investment properties (contd.)

Details of the fair value of investment properties are as follows:

	Valuation method	Fair value measurement using significant unobservable inputs (Level 3) RM'000
Freehold office lots, at fair value	Comparison method	1,200

The property is valued by reference to transactions of similar properties in the surrounding area taking into consideration adjustments for differences in location, terrain, size and shape of the land, tenure, title restrictions if any and other relevant characteristics.

The significant unobservable input is the price per square meter. Significant increase/(decrease) in estimated price per square meter would result in higher/(lower) value.

The Group's investment properties are secured against the loans and borrowings as disclosed in Note 28.

Notes to the Financial Statements
30 June 2019
(Cont'd)

14. Intangible assets

	Cloud service platform RM'000	Telecommu-nications licences with allocated spectrum RM'000	Teleradiology, management and health record systems licences RM'000	Total RM'000
Group				
At 30 June 2019				
Cost				
At 1 May 2018	250	24,670	12,174	37,094
Deconsolidation of a subsidiary	-	-	(12,174)	(12,174)
At 30 June 2019	250	24,670	-	24,920
Accumulated amortisation				
At 1 May 2018	80	-	-	80
Charge for the year (Note 6)	57	-	-	57
At 30 June 2019	137	-	-	137
Net carrying amount	113	24,670	-	24,783
At 30 April 2018				
Cost				
At 1 May 2017	250	24,670	12,936	37,856
Government grant received	-	-	(762)	(762)
At 30 April 2018	250	24,670	12,174	37,094
Accumulated amortisation				
At 1 May 2017	30	-	-	30
Charge for the year (Note 6)	50	-	-	50
At 30 April 2018	80	-	-	80
Net carrying amount	170	24,670	12,174	37,014

14. Intangible assets (contd.)

The recoverable amounts of the telecommunications licences with allocated spectrum are determined based on fair value less costs of disposal using the market comparable approach based on a valuation carried out by an independent firm of professional valuers.

The market comparable approach entails analysis on historical and recent spectrum purchases from both government auctions and sales transactions including the price paid, date of transaction, specific spectrum band, block size in MHz, licence term, geographic coverage area, the population covered and country characteristics.

The database of comparables was derived based on appropriate adjustments made on gross domestic product, population coverage and annual escalation in the value of spectrum.

During the previous financial year, the recoverable amounts of the teleradiology, management and health record systems licences were determined using the value-in-use approach, and this was derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 3 years. The key assumptions used in the determination of the recoverable amounts were as follows:

	Group 1.5.2017 to 30.4.2018
Average budgeted EBITDA margin	3.23%
Average growth rate	39.57%
Discount rate	8.47%
Terminal growth rate	3.00%

The key assumptions represent management's assessment of future trends in the region's similar industry and were based on both external sources and internal sources.

Management has determined the average budgeted EBITDA margin and weighted average growth rate based on its expectation of market development. The discount rates used were computed based on the weighted average cost of capital of the Group.

Sensitivity to changes in assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the intangible assets to be materially higher than its recoverable amount.

Notes to the Financial Statements
30 June 2019
(Cont'd)

15. Development costs

	Group 30.6.2019 RM'000	30.4.2018 RM'000
Cost		
At beginning and end of financial period/year	10,256	10,256
Accumulated amortisation and impairment		
At beginning and end of financial period/year	9,409	7,048
Amortisation (Note 6)	670	708
Impairment loss (Note 6)	-	1,653
At beginning and end of financial period/year	10,079	9,409
Analysed as:		
Accumulated amortisation	8,426	7,756
Accumulated impairment	1,653	1,653
	10,079	9,409
Net carrying amount	177	847

16. Investments in subsidiaries

	Company 30.6.2019 RM'000	Company 30.4.2018 RM'000
Unquoted shares, at cost	3,709	3,709
ESOS granted to employees of subsidiaries	10,367	10,367
Deconsolidation of a subsidiary	(715)	-
	13,361	14,076
Accumulated impairment losses	(3,804)	(3,804)
	9,557	10,272

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of effective interest held 30.6.2019 %	Proportion of effective interest held 30.4.2018 %	Principal activities
REDtone Telecommunications Sdn. Bhd. ("RTC")	Malaysia	100	100	Research, development, manufacturing and marketing of computer-telephony intergration, provision of communication services and investment holding.
REDtone Technology Sdn. Bhd. ("RTT")	Malaysia	100	100	Provider of total solutions in business communication and telecommunication services and investment holding.
REDtone Engineering & Network Services Sdn. Bhd. ("RENS")	Malaysia	100	100	Research and development, manufacturing and marketing of telecommunication and multimedia solutions.
REDtone Data Centre Sdn. Bhd. ("RDC")	Malaysia	70	70	Provides system integration, software solutions and trading in computer hardware.
Ansar Mobile Sdn. Bhd. ("ANM")	Malaysia	100	100	Provision of telecommunications services including fixed and mobile services and telecom-munications related services.
REDtone MEX Sdn. Bhd. ("REX") #	Malaysia	-	56	Building of teleconsultation/ teleradiology exchange and distributing, designing and development of information system, mobile solutions and healthcare solution.

Notes to the Financial Statements
30 June 2019
(Cont'd)

16. Investments in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Proportion of effective interest held 30.6.2019 %	30.4.2018 %	Principal activities
REDtone IOT Sdn. Bhd. ("RIOT")	Malaysia	100	100	Provider of business solutions in information technology and to build interconnection of uniquely identifiable embedded computing device within existing internet infrastructure, and investment holding.
Held through RTT				
REDtone Mytel Sdn. Bhd. ("RTM")	Malaysia	60	60	Provision of telecommunication services.
REDtone Technology Pte. Ltd. ("RTPLS") ^	Singapore	100	100	Provision of telecommunication related products and services.
SEA Telco Engineering Services Sdn. Bhd. ("STE")	Malaysia	80	80	Provision of information technology services.
Meridianotch Sdn. Bhd.	Malaysia	100	100	Investment holding.

^ This subsidiary was audited by other firm of chartered accountants.
\# Became an associate of the Group (Note 17).

The non-controlling interests of the subsidiaries are not material to the Group.

Loss of control in a subsidiary

On 19 March 2019, the Group entered into a supplemental letter of agreement with the shareholders of REX, which resulted in the loss of control in REX although the Group continues to hold 56% shareholding in REX. Nevertheless, the Group has significant influence over REX and accordingly has classified REX as an associate.

The value of assets and liabilities of REX recorded in the consolidated financial statements as at 19 March 2019, and the effects of the loss of control were:

	19.3.2019 RM'000
Property, plant and equipment	632
Intangible assets	12,174
Trade and other receivables	2,217
Tax recoverable	2
Cash and bank balances	387
Deferred tax liabilities	(912)
Trade and other payables	(5,610)
Carrying value of net assets	8,890

16. Investments in subsidiaries (contd.)

Loss of control in a subsidiary (contd.)

	19.3.2019 RM'000
Fair value of retained interest	2,464
Net assets derecognised	(8,890)
Non-controlling interests	3,905
Loss to the Group (Note 6)	(2,521)
Cash and bank balances derecognised, representing net cash out flow on loss of control in a subsidiary	(387)

17. Investments in associates

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
Unquoted shares in Malaysia, at cost	3,305	841
Share of post-acquisition reserves	(937)	-
Accumulated impairment losses	(841)	(841)
	1,527	-

	Company	
	30.6.2019 RM'000	30.4.2018 RM'000
Unquoted shares in Malaysia, at cost	3,305	841
Accumulated impairment losses	(841)	(841)
	2,464	-

Details of the associates are as follows:

Name of associate	Country of incorporation	Proportion of effective interest held 30.6.2019 %	Proportion of effective interest held 30.4.2018 %	Principal activities
REDtone Network Sdn. Bhd.	Malaysia	49	49	Research and development and marketing of communication applications.
Sea Telco Engineering (Sarawak) Sdn. Bhd. @ (formerly known as Kenyalang Megah Sdn. Bhd.)	Malaysia	49	49	Telecommunications and related services.
REDtone MEX Sdn. Bhd. ("REX")	Malaysia	56	-	Building of teleconsultation/ teleradiology exchange and distributing, designing and development of information system, mobile solutions and healthcare solution.

@ On 24 January 2019, Kenyalang Megah Sdn. Bhd changed its name to Sea Telco Engineering (Sarawak) Sdn Bhd.

Notes to the Financial Statements
30 June 2019
(Cont'd)

17. Investments in associates (contd.)

The Group has not recognised losses relating to REDtone Network Sdn. Bhd. and Sea Telco Engineering (Sarawak) Sdn. Bhd. (formerly known as Kenyalang Megah Sdn. Bhd.), where its share of losses exceeded the Group's interest in these associates. The Group's cumulative share of unrecognised losses at the end of the reporting period amounted to RM1,021,000 (2018: RM1,017,000) and RM10,000 (2018: RM4,000) respectively. The Group has no obligation in respect of these losses.

The summarised financial information in respect of the material associate and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position of REX

	30.6.2019 RM'000
Assets and liabilities	
Current assets	374
Non-current assets	12,361
Current liabilities	(5,506)
Net assets	7,229

Summarised statement of comprehensive income of REX

	1.5.2018 to 30.6.2019 RM'000
Revenue	403
Cost of sales	(987)
Gross loss	(584)
General and administrative expenses	(3,336)
Finance costs	(237)
Loss before tax	(4,157)
Taxation	1,086
Loss for the period, representing total comprehensive loss for the period	(3,071)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate:

	30.6.2019 RM'000
Net assets at 30 June 2019	7,229
Interest in associate as at period end	56%
	4,048
Loss on remeasurement	(2,521)
Carrying value of Group's interest in associate	1,527

18. Deferred tax

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
At beginning of financial period/year	(4,158)	(3,585)
Recognised in the statements of comprehensive income (Note 9)	1,647	(573)
Deconsolidation of a subsidiary	(912)	-
At end of financial period/year	(3,423)	(4,158)
Presented in the statements of financial position as follows:		
Deferred tax assets	(3,423)	(5,350)
Deferred tax liabilities	-	1,192
	(3,423)	(4,158)

Deferred tax assets of the Group:

	Unutilised tax losses and unabsorbed capital allowances RM'000	Provisions RM'000	Total RM'000
At 1 May 2018	(5,917)	(3,411)	(9,328)
Recognised in the statements of comprehensive income	2,647	(132)	2,515
Deconsolidation of a subsidiary	638	58	696
At 30 June 2019	(2,632)	(3,485)	(6,117)
Less: Offset against deferred tax liabilities			2,694
			(3,423)
At 1 May 2017	(6,284)	(3,140)	(9,424)
Recognised in the statements of comprehensive income	367	(271)	96
At 30 April 2018	(5,917)	(3,411)	(9,328)
Less: Offset against deferred tax liabilities			3,978
			(5,350)

Notes to the Financial Statements
30 June 2019
(Cont'd)

18. Deferred tax (contd.)

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles RM'000
At 1 May 2018	5,170
Recognised in the statements of comprehensive income	(868)
Deconsolidation of a subsidiary	(1,608)
At 30 June 2019	2,694
Less: Offset against deferred tax assets	(2,694)
	-
At 1 May 2017	5,839
Recognised in the statements of comprehensive income	(669)
At 30 April 2018	5,170
Less: Offset against deferred tax assets	(3,978)
	1,192

Deferred tax assets of the Group and of the Company have not been recognised in respect of the following items:

	Group		Company	
	30.6.2019 RM'000	30.4.2018 RM'000	30.6.2019 RM'000	30.4.2018 RM'000
Unutilised tax losses	22,140	16,539	-	-
Unabsorbed capital allowances	931	1,862	-	-
Other deductible temporary differences	3,677	8,606	100	265
	26,748	27,007	100	265

At the reporting date, the Group and the Company have unabsorbed capital allowances, unutilised tax losses and other deductible temporary differences that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to a 7-year limitation on the carry forward of those losses under the Finance Bill 2018 and guidelines issued by the tax authority.

19. Inventories

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
Cost		
Finished goods	349	437

During the period/year, the amount of inventories recognised as an expense in cost of sales of the Group was RM13,311,000 (2018: RM12,508,000).

20. Trade and other receivables

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000	Company 30.6.2019 RM'000	Company 30.4.2018 RM'000
Current				
Trade receivables				
Third parties	29,947	52,009	-	-
Less: Allowance for expected credit loss	(5,992)	(13,682)	-	-
Trade receivables, net	23,955	38,327	-	-
Other receivables				
Third parties	2,877	2,808	1,229	1,229
Amount due from an associate	6,922	2,072	6,902	2,067
Amounts due from subsidiaries	-	-	74,509	72,476
Deposits	2,287	1,999	-	-
Prepayments	1,633	2,764	30	41
Sundry receivables	678	1,466	-	-
	14,397	11,109	82,670	75,813
Less: Allowance for expected credit loss	(3,336)	(3,326)	(3,296)	(3,296)
Other receivables, net	11,061	7,783	79,374	72,517
	35,016	46,110	79,374	72,517
Non-current				
Other receivables				
Third parties	18,785	18,785	18,785	18,785
Less: Allowance for expected credit loss	(18,785)	(18,785)	(18,785)	(18,785)
	-	-	-	-
Total trade and other receivables (current and non-current)	35,016	46,110	79,374	72,517
Add: Cash and bank balances (Note 23)	51,760	53,533	14	7
Less: Prepayments	(1,633)	(2,764)	(30)	(41)
Total financial assets at amortised cost	85,143	96,879	79,358	72,483

Ageing analysis of trade receivables

The ageing analysis of the Group's total trade receivables, but excluding contract assets is as follows:

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
Neither past due nor impaired	3,651	9,644
1 to 30 days past due not impaired	594	3,758
31 to 60 days past due not impaired	244	4,968
61 to 90 days past due not impaired	57	49
91 to 120 days past due not impaired	716	325
More than 121 days past due not impaired	18,693	19,583
	20,304	28,683
Expected credit loss	5,992	13,682
	29,947	52,009

20. Trade and other receivables (contd.)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 72% (2018: 60%) of the Group's trade receivables arise from customers with more than 5 years of experience with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired	
	30.6.2019 RM'000	30.4.2018 RM'000
Group		
Trade receivables		
- nominal amounts	5,992	13,682
Less: Allowance for expected credit loss	(5,992)	(13,682)
	-	-

Movement in allowance for expected credit loss:

	Group		Company	
	30.6.2019 RM'000	30.4.2018 RM'000	30.6.2019 RM'000	30.4.2018 RM'000
Trade receivables				
At beginning of financial period/year	13,682	13,730	-	-
Net (writeback of)/allowance for expected credit loss (Note 6)	(146)	379	-	-
Written-off	(7,544)	(427)		
At end of financial period/year	5,992	13,682	-	-
Other receivables				
At beginning of financial period/year	22,111	22,154	22,081	22,058
Net allowance for/(writeback of) expected credit loss (Note 6)	10	(43)	-	23
At end of financial period/year	22,121	22,111	22,081	22,081

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month and each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to two (2018: two) customers representing approximately 63% (2018: 64%) of the total trade receivables.

20. Trade and other receivables (contd.)

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade in nature, interest bearing at 4.35% p.a. (2018: 3.6% p.a.) and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

(c) Amount due from an associate

Amount due from an associate is non-trade in nature, interest-bearing at 4.35% p.a. (2018: 3.6% p.a.), unsecured and is repayable on demand.

21. Contract balances

	Group	
	30.6.2019 RM'000	**30.4.2018 RM'000**
Current		
Contract assets	77,153	20,845
Contract liabilities	6,261	9,695

Contract assets primarily relate to the Group's right to consideration for service transferred which receipt of its consideration is conditional on the completion and final acceptance of the customers. Contract assets are transferred to receivables when the right becomes unconditional.

The transaction price allocated to the remaining performance obligations as at 30 June 2019 and 30 April 2018 are as follows:

	Group	
	30.6.2019 RM'000	**30.4.2018 RM'000**
Within one year	98,640	104,099
More than one year	135,506	251,772
	234,146	355,871

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received the consideration in advance or has billed the customer. Contract liabilities are recognised as revenue as the Group performs the services under the contract.

	Group	
	30.6.2019 RM'000	**30.4.2018 RM'000**
At beginning of financial period/year	9,695	2,456
Net (utilisation)/addition during the period/year	(3,434)	7,239
At end of financial period/year	6,261	9,695

Contract liabilities of the Group primarily relate to the following revenue streams:

	30.6.2019 RM'000	**30.4.2018 RM'000**
Telecommunication services	1,195	2,209
Managed Telecommunications Network Services	5,066	7,486
	6,261	9,695

Notes to the Financial Statements
30 June 2019

(Cont'd)

22. Other investment

	Group	
	30.6.2019	30.4.2018
	RM'000	RM'000
Fair value through profit or loss investment		
Cash management fund	15,114	17,605

Cash management fund are investments with licensed bank that invest in money market investments and/or other liquid assets.

23. Cash and bank balances

	Group		Company	
	30.6.2019	30.4.2018	30.6.2019	30.4.2018
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	2,702	3,223	8	6
Deposits with licensed banks	49,058	50,310	6	1
	51,760	53,533	14	7

The interest rates per annum of deposits with licensed banks at the reporting date were as follows:

	30.6.2019	30.4.2018
Deposits with licensed banks	2.97%	3.04%

The average maturity of deposits with licensed banks at the reporting date were as follows:

	30.6.2019	30.4.2018
	Days	Days
Deposits with licensed banks	46	104

The deposits with licensed banks are pledged or deposited to banks for bank guarantee facilities granted to the Group.

Other information on financial risks of cash and bank balances are disclosed in Note 34.

For the purpose of consolidated statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	30.6.2019	30.4.2018	30.6.2019	30.4.2018
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	2,702	3,223	8	6
Deposits with licensed banks	49,058	50,310	6	1
Total cash and bank balances	51,760	53,533	14	7
Less:				
Deposits pledged to licensed banks	(49,052)	(50,309)	-	-
Total cash and cash equivalents	2,708	3,224	14	7

24. Share capital

Issued and fully paid-up:

	Number of shares		Amount	
	30.6.2019	30.4.2018	30.6.2019 RM'000	30.4.2018 RM'000
At beginning of financial period/year	758,228,172	757,564,472	147,524	147,359
Issuance of shares pursuant to conversion of ICULS	251,760	663,700	63	165
At end of financial period/year	758,479,932	758,228,172	147,587	147,524

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial period, the share capital of the Company increased from RM147,524,275 to RM147,587,215 as a result of the issuance of 251,760 new ordinary shares resulting from the conversion of 2.75% ICULS at the rate of ten ICULS into four ordinary shares at RM0.25 each in the Company.

The entire new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

25. Irredeemable convertible unsecured loan stocks

	Group/Company	
	30.6.2019 RM'000	30.4.2018 RM'000
Equity		
At beginning of financial period/year	2,289	2,454
Converted during the financial period/year	(63)	(165)
At end of financial period/year	2,226	2,289
Non-current liabilities		
At beginning of financial period/year	100	265
Reclassified to current	(100)	(165)
At end of financial period/year	-	100
Current liabilities		
At beginning of financial period/year	165	139
Converted during the financial period/year	(164)	(139)
Payment during the financial period/year	(166)	(166)
Accretion of interest during the financial period/year	165	166
Reclassified from non-current	100	165
At end of financial period/year	100	165

Notes to the Financial Statements
30 June 2019
(Cont'd)

25. Irredeemable convertible unsecured loan stocks (contd.)

The ICULS represent the unconverted portion of the original RM40,611,634 nominal value of 10-year 2.75% ICULS issued and allotted at 100% of the nominal value.

The ICULS have a tenure of ten years from the date of issue and will not be redeemable in cash. All outstanding ICULS will be mandatorily converted by the Company into new ordinary shares at the conversion price applicable on the maturity date. The ICULS are convertible into ordinary shares at any time during the tenure of the ICULS from 4 March 2010 to the maturity date on 4 March 2020, at the rate of ten ICULS into four ordinary shares at RM0.25 each in the Company.

Upon conversion of the ICULS into new ordinary shares, such shares would rank pari passu in all material respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the newly converted ordinary shares shall not be entitled to any rights, allotments of dividends, and/or other distribution if the dividend entitlement date is on or before the relevant conversion date.

The interest on the ICULS is at the rate of 2.75% per annum on the nominal value of the ICULS commencing March 2010 and is payable annually in arrears on March each year.

26. Treasury shares

During the current financial period, the Company did not repurchase any of its issued ordinary shares.

Of the total 758,479,932 (2018: 758,228,172) issued and fully paid-up ordinary shares as at the end of the financial period, 9,502,000 (2018: 9,502,000) ordinary shares are held as treasury shares by the Company amounting to RM5,653,000 (2018: RM5,653,000).

Details of the shares repurchased and retained as treasury shares were as follows:

	Number of shares		Amount	
	30.6.2019	30.4.2018	30.6.2019 RM'000	30.4.2018 RM'000
At beginning and end of financial period/year	9,502,000	9,502,000	5,653	5,653

27. Reserves

	Group		Company	
	30.6.2019 RM'000	30.4.2018 RM'000	30.6.2019 RM'000	30.4.2018 RM'000
Retained profit/(accumulated losses)	17,184	(5,311)	(53,184)	(61,959)
Foreign exchange reserve	(663)	(663)	-	-
Revaluation reserve	641	641	-	-
	17,162	(5,333)	(53,184)	(61,959)

(a) Foreign exchange reserve

Foreign exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Revaluation reserve

The revaluation reserve arose from the revaluation of freehold office lots when the freehold office lots were transferred from property, plant and equipment to investment properties.

28. Loans and borrowings

	Maturity	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
Current			
Secured:			
Term loans:-			
Fixed loan 1 at BLR -1.65% p.a.	2020	12	12
Fixed loan 2 at BLR -1.65% p.a.	2020	28	27
Refinancing loan 1 at BLR -1.65% p.a.	2020	10	9
Refinancing loan 2 at BLR -1.65% p.a.	2020	23	22
Refinancing loan 3 at BLR -1.65% p.a.	2020	10	9
Unsecured:			
Loan from a holding company	2020	-	5,000
Obligations under finance leases	2020	-	32
Obligations under hire purchase	2020	34	32
		117	5,143
Non-current			
Secured:			
Term loans:-			
Fixed loan 1 at BLR -1.65% p.a.	2021 - 2029	211	223
Fixed loan 2 at BLR -1.65% p.a.	2021 - 2029	497	525
Refinancing loan 1 at BLR -1.65% p.a.	2021 - 2029	181	190
Refinancing loan 2 at BLR -1.65% p.a.	2021 - 2029	424	446
Refinancing loan 3 at BLR -1.65% p.a.	2021 - 2029	186	196
Unsecured:			
Obligations under hire purchase	2021	44	84
		1,543	1,664
Total loans and borrowings			
Secured:			
Term loans:-			
Fixed loan 1 at BLR -1.65% p.a.		223	235
Fixed loan 2 at BLR -1.65% p.a.		525	552
Refinancing loan 1 at BLR -1.65% p.a.		191	199
Refinancing loan 2 at BLR -1.65% p.a.		447	468
Refinancing loan 3 at BLR -1.65% p.a.		196	205
Unsecured:			
Loan from a holding company		-	5,000
Obligations under finance leases		-	32
Obligations under hire purchase		78	116
		1,660	6,807

28. Loans and borrowings (contd.)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
On demand or within one year	117	5,143
More than 1 year and less than 2 years	123	83
More than 2 years and less than 5 years	300	358
5 years or more	1,120	1,223
	1,660	6,807

Term loans

The term loans are secured by:

(i) a first party legal charge over the Group's freehold office lots as disclosed in Note 12 and Note 13;

(ii) a corporate guarantee provided by the Company; and

(iii) deposits with licensed banks as disclosed in Note 23.

The repayment terms of the term loans are as follows:

Fixed loan 1 at effective interest rate 5.20% per annum	Repayable in 240 monthly instalments of RM1,881, effective June 2009.
Fixed loan 2 at effective interest rate 5.20% per annum	Repayable in 240 monthly instalments of RM4,428, effective June 2009.
Refinancing loan 1 at effective interest rate 5.20% per annum	Repayable in 240 monthly instalments of RM1,538, effective September 2009.
Refinancing loan 2 at effective interest rate 5.20% per annum	Repayable in 240 monthly instalments of RM3,635, effective September 2009.
Refinancing loan 3 at effective interest rate 5.20% per annum	Repayable in 240 monthly instalments of RM1,604, effective September 2009.

Loan from a holding company

Loan from a holding company is unsecured, denominated in RM and bear interest at nil (2018: BLR +1.00% p.a.). It is repayable 12 months from drawdown date in January 2018 or becomes immediately repayable if RENS ceases to be a subsidiary of the holding company.

28. Loans and borrowings (contd.)

Obligations under finance leases

These obligations are unsecured, denominated in RM and the average discount rate implicit in the leases is 7.15% p.a. (2018: 7.15% p.a.).

Obligations under hire purchase

These obligations are unsecured, denominated in RM and the average discount rate implicit in the leases is 2.57% p.a. (2018: 2.57% p.a).

29. Trade and other payables

	Group		Company	
	30.6.2019 RM'000	30.4.2018 RM'000	30.6.2019 RM'000	30.4.2018 RM'000
Trade payables				
Third parties	8,624	11,066	-	-
Accruals	35,407	18,530	-	-
	44,031	29,596	-	-
Other payables				
Provision for Universal Service Fund Contribution ("USOF") (Note 29(b))	6,722	7,065	-	-
Accruals	8,812	6,168	163	191
Deposits payable	1,953	2,050	-	-
Sundry payables	1,380	2,742	24	24
	18,867	18,025	187	215
Total trade and other payables	62,898	47,621	187	215
Add: Loans and borrowings (Note 28)	1,660	6,807	-	-
Less: Provision for USOF	(6,722)	(7,065)	-	-
Total financial liabilities carried at amortised cost	57,836	47,363	187	215

(a) Trade payables

Trade payables are interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2018: 30 to 60) days.

(b) Provision for USOF

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
At beginning of financial period/year	7,065	6,702
Recognised in the statements of comprehensive income (Note 6)	1,224	1,208
Payment	(1,567)	(845)
At end of financial period/year	6,722	7,065

In accordance with the Communications and Multimedia (Universal Service Provision) Regulations 2002, a licensee whose revenue exceeds RM2,000,000 (derived from the designated services as specified in the Return of Net Revenue), shall contribute 6% of its total weighted net revenue to the USOF.

Notes to the Financial Statements
30 June 2019
(Cont'd)

30. Commitments

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
(i) Capital commitments		
Approved and contracted for:		
Property, plant and equipment	594	207

(ii) Operating lease commitments - as lessee

The Group had entered into non-cancellable operating lease agreements for the use of certain computers and software. These leases have an average life of 3 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
Not more than one year	40	47
Later than one year but not later than five years	44	7
	84	54

(iii) Finance leases and hire purchase commitments

The Group has finance leases and and hire purchase contract for certain items of equipment and motor vehicle as disclosed in Note 28. These finance leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases and hire purchase contract together with the present value of the net minimum lease payments are as follows:

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
Minimum lease payments:		
Not later than 1 year	37	69
Later than 1 year but not later than 2 years	37	37
Later than 2 years but not later than 5 years	8	52
Total minimum lease payments	82	158
Less: Amount representing finance charges	(4)	(10)
Present value of minimum lease payments	78	148
Present value of finance leases and hire purchase contract liabilities:		
Not later than 1 year	34	64
Later than 1 year but not later than 2 years	35	34
Later than 2 years but not later than 5 years	9	50
Present value of minimum lease payments	78	148
Analysed as:		
Due within 12 months	34	64
Due after 12 months	44	84
	78	148

31. Guarantees

	Group 30.6.2019 RM'000	Group 30.4.2018 RM'000
Performance bonds in favour of various government and statutory bodies and private companies	27,758	22,720

32. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial period:

	Note	Group 1.5.2018 to 30.6.2019 RM'000	Group 1.5.2017 to 30.4.2018 RM'000
Revenue:			
Wireless broadband:			
- Berjaya Corporation Berhad	b	27	23
- Berjaya Land Berhad	c	27	23
- Berjaya Sompo Insurance Berhad	d	1,761	1,272
- Berjaya Sports Toto Berhad	c	27	23
- Berjaya Starbucks Coffee Company Sdn. Bhd.	c	29	34
- Berjaya Waterfront Sdn. Bhd.	e	161	140
- Inter-Pacific Securities Sdn. Bhd.	c	89	72
- Natural Avenue Sdn. Bhd.	e	31	26
- Qinetics Services Sdn. Bhd.	a	7	6
- Sun Media Corporation Sdn. Bhd.	f	104	83
- Singer (Malaysia) Sdn. Bhd.	a	7	5
- The Taaras Beach & Spa Resort (Redang) Sdn. Bhd.	c	147	46
- Tioman Island Resort Berhad	c	118	95
Corporate voice:			
- Berjaya Corporation Berhad	b	69	65
- Berjaya Sompo Insurance Berhad	d	10	15
- Bukit Kiara Resort Berhad	c	1	1
- Cempaka Properties Sdn. Bhd.	c	1	1
- Inter-Pacific Securities Sdn. Bhd.	c	-	1
- Prime Credit Leasing Berhad	c	1	1
- Singer (Malaysia) Sdn. Bhd.	a	62	62
- Sports Toto Malaysia Sdn. Bhd.	c	15	20
- U Mobile Sdn. Bhd.	a	36	26
Data centre services:			
- Berjaya Sompo Insurance Berhad	d	218	186
- Singer (Malaysia) Sdn. Bhd.	a	44	30
- Berjaya Higher Education Sdn. Bhd.	c	1	7
- BLoyalty Sdn. Bhd.	c	840	50
Rental income:			
- Best Media Network Sdn. Bhd.	g	38	42

Notes to the Financial Statements
30 June 2019
(Cont'd)

32. Related party disclosures (contd.)

	Note	Group 1.5.2018 to 30.6.2019 RM'000	Group 1.5.2017 to 30.4.2018 RM'000
Expenses:			
Berjaya Corporation Berhad	b		
- Management fees		73	64
- Loan interest expense		187	111
Berjaya Higher Education Sdn. Bhd.	c		
- Training		26	3
Berjaya Golf Resort Berhad	c		
- Public Relation		3	8
Berjaya Hospitality Services Sdn. Bhd.	c		
- Function room, food and beverages		54	55
Berjaya Registration Services Sdn. Bhd.	c		
- Share registration		28	29
Berjaya Sompo Insurance Berhad	d		
- General insurance		127	152
- Group hospital and surgical		496	442
Berjaya Roasters (M) Sdn. Bhd.	c		
- Cash voucher		6	-
Berjaya Times Square Sdn. Bhd.	e		
- Rental co-location		85	78
E.V.A. Management Sdn. Bhd.	c		
- Management fee		34	2
Sun Media Corporation Sdn. Bhd.	f		
- Advertisement		5	5
U Mobile Sdn. Bhd.	a		
- Staff handphone charges		267	211
Best Media Network Sdn. Bhd.	g		
- Broadcasting charges		35	22
People Health Sdn. Bhd.	h		
- Consultancy fee		455	390

The relationships of the related party transactions are as follows:

(a) A company in which Tan Sri Dato' Seri Vincent Tan Chee Yioun ("TSVT"), a substantial shareholder of the Company, has deemed interests
(b) Ultimate holding company of the Company
(c) Related companies of BCorp Group other than subsidiary companies of the Company
(d) Associate company of BCorp Group
(e) A subsidiary company of Berjaya Assets Berhad ("BAssets"). TSVT is a substantial shareholder of BAssets
(f) Subsidiary company of Berjaya Media Berhad, a company in which BCorp and TSVT have substantial interests
(g) A company in which DYMM Sultan Ibrahim Johor, a substantial shareholder of the Company, has interests
(h) A company in which Yee Kar Fong, a director of REX, has interests

32. Related party disclosures (contd.)

Compensation of key management personnel

The remuneration of key management during the period was as follows:

	Group	
	1.5.2018 to 30.6.2019 RM'000	1.5.2017 to 30.4.2018 RM'000
Short-term employee benefits	7,038	5,977

Included in compensation for key management personnel of the Group are directors' remuneration amounting to RM3,131,000 (2018: RM3,037,000) as disclosed in Note 8.

33. Significant event

On 19 March 2019, the Group entered into a supplemental letter of agreement with the shareholders of REX, which resulted in the loss of control in REX although the Group continues to hold 56% shareholding in REX. Nevertheless, the Group has significant influence over REX and accordingly has classified REX as an associate.

34. Financial instruments

(a) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, and credit risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risks is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

34. Financial instruments (contd.)

(b) Interest rate risk (contd.)

The Group has minimal exposure to interest rate risk at the reporting date. The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
Group							
At 30 June 2019							
Loans and borrowings	28	5.00%	117	123	300	1,120	1,660
Deposits with licensed banks	23	2.97%	49,058	-	-	-	49,058
At 30 April 2018							
Loans and borrowings	28	7.09%	5,143	83	358	1,223	6,807
Deposits with licensed banks	23	3.04%	50,310	-	-	-	50,310

34. Financial instruments (contd.)

(c) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:

	United States Dollar RM'000	Singapore Dollar RM'000	Chinese Renminbi RM'000	Total RM'000
Group				
At 30 June 2019				
Financial assets				
Trade receivables	169	-	-	169
Cash and bank balances	593	7	-	600
	762	7	-	769
Financial liabilities				
Trade payables	(595)	(43)	-	(638)
Other payables and accruals	(44)	(29)	(2)	(75)
	(639)	(72)	(2)	(713)
Net financial assets/(liabilities)	123	(65)	(2)	56
At 30 April 2018				
Financial assets				
Trade receivables	776	-	-	776
Cash and bank balances	581	7	-	588
	1,357	7	-	1,364
Financial liabilities				
Trade payables	(341)	(40)	-	(381)
Other payables and accruals	(19)	(14)	-	(33)
	(360)	(54)	-	(414)
Net financial assets/(liabilities)	997	(47)	-	950

Notes to the Financial Statements
30 June 2019
(Cont'd)

34. Financial instruments (contd.)

(c) Foreign currency risk (contd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit, net of tax to a reasonably possible change in the foreign currency exchange rates against the functional currencies of the Group entities, with all other variables held constant.

		Group	
		30.6.2019 RM'000 Profit, net of tax	30.4.2018 RM'000 Profit, net of tax
USD/RM	- strengthened 5%	10	60
	- weakened 5%	(10)	(60)
SGD/RM	- strengthened 5%	(3)	(2)
	- weakened 5%	3	2

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

34. Financial instruments (contd.)

(d) Liquidity risk (contd.)

	On demand within 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Group				
30 June 2019				
Loans and borrowings	194	674	1,312	2,180
Trade and other payables	56,176	-	-	56,176
Total undiscounted financial liabilities	56,370	674	1,312	58,356
30 April 2018				
Loans and borrowings	5,263	754	1,548	7,565
Trade and other payables	40,556	-	-	40,556
Total undiscounted financial liabilities	45,819	754	1,548	48,121
Company				
30 June 2019				
Other payables and accruals, representing total undiscounted financial liabilities	187	-	-	187
30 April 2018				
Other payables and accruals, representing total undiscounted financial liabilities	215	-	-	215

Notes to the Financial Statements
30 June 2019
(Cont'd)

34. Financial instruments (contd.)

(e) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting date.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2018: two) customers which constituted approximately 63% (2018: 64%) of its trade receivables at the end of the reporting date.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(f) Fair values

The following table shows an analysis of the class of asset measured at fair value at the reporting date:

	Fair value measurements at the reporting date using			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Group				
Financial asset at FVTPL				
Other investment (Note 22)				
Fair value through profit or loss investment				
- 2019	-	15,114	-	15,114
- 2018	-	17,605	-	17,605

34. Financial instruments (contd.)

(f) Fair values (contd.)

Determination of fair value

Other investment represents placement in cash management fund, where the fair values of the investment are determined using valuation technique with market observable inputs.

There are no liabilities measured at fair value.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial period.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	20
Loans and borrowings	28
Trade and other payables	29

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

35. Capital management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and bank balances exceeded the total borrowings from financial institutions.

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

Notes to the Financial Statements
30 June 2019
(Cont'd)

36. Segment information

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

	External RM'000	Inter-segment RM'000	Total RM'000
Revenue			
2019			
Telecommunications services	95,593	4,012	99,605
Managed telecommunications network services	113,148	75,361	188,509
Industry digital services	2,650	747	3,397
Inter-segment elimination	-	(80,120)	(80,120)
	211,391	-	211,391
2018			
Telecommunications services	81,490	6,330	87,820
Managed telecommunications network services	31,062	4,381	35,443
Industry digital services	5,529	750	6,279
Inter-segment elimination	-	(11,461)	(11,461)
	118,081	-	118,081

	2019 RM'000	2018 RM'000
Results		
Telecommunications services	34,877	21,876
Managed telecommunications network services	9,992	(7,686)
Industry digital services	(4,449)	(4,850)
	40,420	9,340
Indirect corporate expenses	(2,658)	(2,112)
Profit from operations	37,762	7,228
Investment related income	403	1,396
Investment related expenses	(2,521)	-
Finance costs	(1,100)	(2,111)
Share of result of associate	(937)	-
Profit before tax	33,607	6,513
Taxation	(11,617)	(1,744)
Profit after tax	21,990	4,769

36. Segment information (contd.)

	Malaysia RM'000	Other country RM'000	The Group RM'000
2019			
Assets			
Segment assets	221,814	18	221,832
Tax recoverable			6,442
Deferred tax assets			3,423
Consolidated total assets			231,697
Liabilities			
Segment liabilities	70,887	32	70,919
Provision for taxation			146
Consolidated total liabilities			71,065
Other segment items			
Additions to non-current assets other than financial instruments:			
- Property, plant and equipment	236	-	236
Depreciation of property, plant and equipment	4,650	-	4,650
Amortisation of intangible assets	57	-	57
Amortisation of development costs	670	-	670
2018			
Assets			
Segment assets	197,863	25	197,888
Tax recoverable			5,080
Deferred tax assets			5,350
Consolidated total assets			208,318
Liabilities			
Segment liabilities	64,355	33	64,388
Deferred tax liabilities			1,192
Provision for taxation			191
Consolidated total liabilities			65,771
Other segment items			
Additions to non-current assets other than financial instruments:			
- Property, plant and equipment	1,506	-	1,506
Depreciation of property, plant and equipment	4,485	-	4,485
Amortisation of intangible assets	50	-	50
Amortisation of development costs	708	-	708

Major customers

Revenue from four (4) major customers, constitutes not less than 50% (2018: 19%) of the Group's revenue, amounts to approximately RM104,702,000 (2018: RM22,679,000) of sales by the Malaysia segment.

37. Dividend

On 26 August 2019, the Directors declared an interim single-tier dividend of 1.0 sen per ordinary share in respect of the financial period ended 30 June 2019 payable on 10 October 2019. The financial statements for the current financial period do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2020.

38. Comparatives

On 2 May 2019, the Group and the Company changed its financial year end from 30 April to 30 June to be conterminous with the ultimate holding company's financial year end. Therefore, the current financial period covered in these financial statements is for a period of 14 months from 1 May 2018 to 30 June 2019. Accordingly, the comparatives which are for the financial year from 1 May 2017 to 30 April 2018 are not comparable to the current financial period ended 30 June 2019.

INDEPENDENT AUDITORS' REPORT

to the members of REDtone International Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of REDtone International Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the period from 1 May 2018 to 30 June 2019 and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the period from 1 May 2018 to 30 June 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Independent Auditors' Report
to the members of REDtone International Berhad
(Incorporated in Malaysia) (Cont'd)

Report on the audit of the financial statements (contd.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment assessment of intangible assets

Refer to Note 14 – Intangible Assets.

In accordance with MFRS 136 Impairment of Assets, the Group is required to perform an impairment test on its intangible assets with indefinite useful lives annually, namely the telecommunication licences with allocated spectrum.

As at 30 June 2019, the carrying amount of telecommunication licences with allocated spectrum amounted to RM24,670,000, representing 54% and 11% of the Group's total non-current assets and total assets respectively. The management performed an impairment assessment on the intangible asset by estimating its recoverable amount and comparing it to the carrying amount. In determining the recoverable amount, the management relied on a firm of independent valuers to estimate the fair value less costs to sell of the intangible asset.

The impairment testing was significant to our audit because the estimation process for the recoverable amount is complex and is based on assumptions that are highly judgmental.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Impairment assessment of intangible assets (contd.)

We focused on the valuation performed by the firm of independent valuers by performing the following procedures:

- We considered the objectivity, independence and expertise of the firm of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value less costs to sell of the intangible asset and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the data used as inputs to the valuation models; and
- We analysed the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions to the recoverable amount.

Revenue recognition

(a) Revenue recognition on telecommunication services

Refer to Note 2.4 (s) – Revenue Recognition (Telecommunication Services) and Note 3 – Revenue.

Revenue from telecommunication services recognised by the Group during the year amounted to RM64,565,000, representing 31% of the total revenue of the Group. The Group relies on complex information technology systems in accounting for its telecommunication revenue. Such information systems process large volumes of data, which consist of individually low value transactions. In addition, significant estimates and judgements are involved in accounting for unbilled revenue at the reporting date.

The above factors gave rise to a higher risk of material misstatement in the timing and amount of the recognition of revenue from telecommunication services. Accordingly, we identified this as an area of focus.

Independent Auditors' Report
to the members of REDtone International Berhad
(Incorporated in Malaysia) (Cont'd)

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Revenue recognition (contd.)

(a) Revenue recognition on telecommunication services (contd.)

Our audit sought to place a high level of reliance on the Group's information technology systems and key controls that management relies on in recording telecommunication revenue, where we:

- Involved our information technology specialists to test the operating effectiveness of the automated controls over the billing system. We also tested the accuracy of the data interface between the billing system and the general ledger;

- Tested the effectiveness of the non-automated controls to ensure the accuracy of revenue recognised, including timely updating of approved rate changes to the billing system; and

- Evaluated management's estimate of unbilled revenue by comparing such amount to the billings raised subsequent to the reporting period.

(b) Revenue recognition on construction of Wi-Fi infrastructure and Universal Service Provision ("USP") sites

Refer to Note 2.4 (s) – Revenue Recognition (Managed Telecommunications Network Services Revenue) and Note 3 – Revenue.

The Group is involved in a number of significant long term construction of Wi-Fi infrastructure and USP sites which span more than one accounting period. Included in managed telecommunication network services revenue is revenue from these long term contracts amounted to RM79,286,000, which accounts for 38% of the Group's revenue.

The determination of whether revenue for these contracts should be recognised at a point in time or over time in accordance with MFRS 15 Revenue from Contracts with Customers depends on the underlying contract arrangements. For contracts where the performance obligation is satisfied over time, the Group uses the input method in measuring progress towards complete satisfaction of a performance obligation.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Revenue recognition (contd.)

(b) Revenue recognition on construction of Wi-Fi infrastructure and Universal Service Provision ("USP") sites (contd.)

We focused on revenue and cost of sales from construction of telecommunication infrastructures because the percentage of completion method used in measuring progress towards complete satisfaction of a performance obligation involves significant management judgement and estimates, particularly in the determination of the stage of completion and total estimated contract costs (which forms part of the computation of percentage of completion)

In addressing this area of focus:

- We read the contracts to obtain an understanding of the specific terms and conditions;

- We obtained an understanding of the Group's internal controls over the accuracy and timing of revenue recognition;

- We discussed the progress of projects with project leaders and engineers and corroborated the information gathered from these discussions with letters of award and User Acceptance Forms acknowledged by customers;

- We reviewed and recomputed the progress of the projects toward complete satisfaction of a performance obligation using input method, including vouching of the actual costs incurred to date to sub-contractors' claims and invoices; and

- We assessed whether the assumptions applied by the management showed any evidence of management bias, based on our assessment of the historical accuracy of management's estimates in previous periods and analysis of changes in assumptions from prior periods.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Loss of control of REDtone Mex Sdn. Bhd. ("REX")

Refer to Note 16 - Investments in subsidiaries and Note 17 - Investments in associates

During the financial period, the Group entered into a supplemental letter of agreement with the shareholders of REX, which resulted in the loss of control in REX although the Group continues to hold 56% shareholding in REX. The Group now has significant influence and accordingly classify REX as an associate.

In accordance with MFRS 10: Consolidated Financial Statements, the loss in control requires the investment of REX as an associate to be recognised at fair value at the date where control is lost, resulting in a loss of RM2.5 million to the Group for the financial period ended 30 June 2019.

The management engaged a firm of independent valuers to estimate the fair value of 56% of the investment in REX.

We have determined this to be a key audit matter as the determination of the fair value requires significant judgment and estimates.

In addressing this area of audit focus, we involved our valuation experts to perform the following:

- Considered the objectivity, independence and expertise of the firm of independent valuers;

- Obtained an understanding of the methodology adopted by the independent valuers and assessed whether such methodology is consistent with those used in the industry;

- Evaluated the key assumptions and parameters used by the independent valuers in their estimation of the fair value;

- Performed a recomputation of the estimated fair value; and

- Evaluated the related disclosures made in the consolidated financial statements.

Report on the audit of the financial statements (contd.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report
to the members of REDtone International Berhad
(Incorporated in Malaysia) (Cont'd)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (contd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report
to the members of REDtone International Berhad
(Incorporated in Malaysia) (Cont'd)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 16 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
3 October 2019

LIST OF PROPERTIES
As at 30 June 2019

Beneficial Owner/ Location	Description/ Existing Use	Land/ Built-Up Area (sq. meters)	Tenure Leasehold/ Freehold	Approx. Age of Building (Yrs)	Carrying Amount as at 30 June 2019 (RM'000)	Date of Valuation/ Effective Year of Purchase
REDtone Telecommunications Sdn Bhd ("RTC")/ Unit No: T18/6F/BC6A (12), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Vacant	N/A/ 89.37 square meters	Leasehold 99 years expiring on 22.11.2094	21	88	N/A/ 10 Feb 1999
RTC/ Unit No: T19/6F/BC6B (13), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Vacant	N/A/ 93.92 square meters	Leasehold 99 years expiring on 22.11.2094	21	93	N/A/ 10 Feb 1999
RTC/ Unit No: T27/6F/BC6C (14), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Vacant	N/A/ 113.90 square meters	Leasehold 99 years expiring on 22.11.2094	21	112	N/A/ 10 Feb 1999
RTC/ Unit No: T32/6F/BC7A (16), Storey: 6th, Plaza KLH Business Centre comprised in HS(M) 24969 PT 35937, Mukim and District of Petaling, State of Selangor	Office/ Vacant	N/A/ 116.78 square meters	Leasehold 99 years expiring on 22.11.2094	21	114	N/A/ 10 Feb 1999
RTC/ Unit No: 26 Storey: 2nd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Tenanted	N/A/ 136.10 square meters	Freehold	22	600	30 April 2019/ 1 Mar 2005
RTC/ Unit No: 27 Storey: 2nd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 321.63 square meters	Freehold	22	942	30 Apr 2009/ 1 Mar 2005

List of Properties
As at 30 June 2019
(Cont'd)

Beneficial Owner/ Location	Description/ Existing Use	Land/ Built-Up Area (sq. meters)	Tenure Leasehold/ Freehold	Approx. Age of Building (Yrs)	Carrying Amount as at 30 June 2019 (RM'000)	Date of Valuation/ Effective Year of Purchase
RTC/ Unit No: 26 Storey: 3rd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Tenanted	N/A/ 136.29 square meters	Freehold	22	600	30 Apr 2019/ 16 Feb 2009
RTC/ Unit No: 27 Storey: 3rd, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 321.63 square meters	Freehold	22	691	N/A/ 16 Feb 2009
RTC/ Unit No: 23 Storey: 4th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 119.66 square meters	Freehold	22	182	N/A/ 28 Mar 2005
RTC/ Unit No: 24 Storey: 4th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 145.49 square meters	Freehold	22	229	N/A/ 21 Jun 2005
RTC/ Unit No: 24, 25, 26, 27, 28, 29 & 30 Storey: 5th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 1,143 square meters	Freehold	22	1,615	N/A/ 29 Mar 2004
RTC/ Unit No: 28 Storey: 6th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsan	Office/ Occupied	N/A/ 142.14 square meters	Freehold	22	580	31 Mar 2018/ 7 July 2005

ANALYSIS OF SHAREHOLDINGS

As at 1 October 2019

Total Number of Issued Shares	:	749,303,812 (excluding 9,502,000 Treasury Shares)
Class of Shares	:	Ordinary Shares
Voting rights	:	One (1) vote per ordinary share

Size of shareholdings	No. of Shareholders	% of Total Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	172	3.516	6,699	0.001
100 – 1,000 shares	368	7.523	186,818	0.025
1,001 – 10,000 shares	2,240	45.789	12,819,184	1.711
10,001 – 100,000 shares	1,754	35.854	60,858,155	8.122
100,001 – 37,465,190 shares	354	7.236	239,432,956	31.954
37,465,191 and above of shares	4	0.082	436,000,000	58.187
TOTAL	4,892	100.000	749,303,812#	100.000

excluded 9,502,000 shares bought back and retained as Treasury Shares

DIRECTORS' SHAREHOLDINGS

		No. of Shares Held			
No	Name	Direct	%	Indirect	%
1	YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail	–	–	–	–
2	Lau Bik Soon	2,810,360	0.38	–	–
3	Dato' Ismail Bin Osman	–	–	–	–
4	Ho Meng *	–	–	–	–
5	Mathew Thomas A/L Vargis Mathews	615,000	0.08	–	–
6	Dato' Mohd Zaini Bin Hassan	20,000	#	–	–
7	Avinderjit Singh A/L Harjit Singh	–	–	–	–
8	Loh Paik Yoong	–	–	–	–

Notes:

\# *negligible*
* *resigned on 24 October 2019*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

		No. of Shares Held			
No	Name	Direct	%	Indirect	%
1	Juara Sejati Sdn Bhd	344,612,912	45.99	42,200,000[1]	5.63
2	Berjaya Group Berhad	–	–	386,812,912[2]	51.62
3	Berjaya Corporation Berhad	–	–	386,812,912[3]	51.62
4	Tan Sri Dato' Seri Vincent Tan Chee Yioun	7,000,000	0.93	386,862,912[4]	51.63
5	DYMM Sultan Ibrahim Johor	134,000,000	17.88	–	–

Notes:

1. *Deemed interested by virtue of its interests in Berjaya Land Berhad, which has indirect interests in Berjaya Philippines Inc., and Berjaya Capital Berhad, which has direct interest in Prime Credit Leasing Sdn Bhd.*
2. *Deemed interested by virtue of its interests in Juara Sejati Sdn Bhd.*
3. *Deemed interested by virtue of its interest in Berjaya Group Berhad.*
4. *Deemed interested by virtue of his interest in Berjaya Corporation Berhad and B & B Enterprise Sdn Bhd.*

Analysis of Shareholdings
As at 1 October 2019
(Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	% of Issued Capital
1	RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd For Juara Sejati Sdn Bhd	168,000,000	22.42
2	DYMM Sultan Ibrahim Johor	134,000,000	17.88
3	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Juara Sejati Sdn Bhd	87,000,000	11.61
4	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Juara Sejati Sdn Bhd	47,000,000	6.27
5	BBL Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Juara Sejati Sdn Bhd	37,400,000	4.99
6	Inter-Pacific Equity Nominees (Asing) Sdn Bhd Berjaya Philippines Inc	36,800,000	4.91
7	Choo Yeh Fung	10,000,000	1.33
8	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Vincent Tan Chee Yioun	7,000,000	0.93
9	Lim Gaik Bway @ Lim Chiew Ah	5,932,100	0.79
10	Prime Credit Leasing Berhad	5,400,000	0.72
11	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wei Chuan Beng	3,072,700	0.41
12	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Oo Phaik See	3,008,700	0.40
13	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Juara Sejati Sdn Bhd	3,000,000	0.40
14	Lau Bik Soon	2,810,360	0.38
15	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Phang Miow Sin	2,679,600	0.36
16	Tiew Ming Ching	2,562,341	0.34
17	Public Invest Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Securities Pte Ltd	2,430,000	0.32
18	Ng Hui Nooi	2,240,080	0.30
19	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd IPM For Juara Sejati Sdn Bhd	2,200,000	0.29

Analysis of Shareholdings
As at 1 October 2019
(Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	% of Issued Capital
20	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Wee Mian	2,096,800	0.28
21	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ngieng Sii Jing	1,866,050	0.25
22	Maybank Nominees (Tempatan) Sdn Bhd Yaw Chee Hou	1,712,500	0.23
23	U Yong Doong @ U Sung Kwi	1,698,000	0.23
24	Datuk Tay Hock Tiam	1,650,000	0.22
25	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Ng Kam Loong	1,649,000	0.22
26	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeo Yan Xin	1,561,300	0.21
27	Ung Ching Erh	1,500,600	0.20
28	Tan Yee Kong	1,275,000	0.17
29	Tan Yee Seng	1,215,000	0.16
30	Stephen Lai Ted Siong	1,200,000	0.16
		579,960,131	77.38

ANALYSIS OF 2.75% 10-YEAR IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2010/2020 (ICULS) HOLDINGS

As at 1 October 2019

Number of ICULS issued	:	406,116,335
Number of outstanding ICULS	:	59,120,194
Conversion Period	:	4 March 2010 to 4 March 2020
Redeemability	:	Not redeemable for cash. All outstanding ICULS will be mandatorily converted into new ordinary shares on the Maturity Date at the Conversion Price
Coupon Rate	:	2.75% per annum calculated on the nominal value of the ICULS payable annually in arrears during the 10 years on the ICULS remaining outstanding. The last coupon payment shall be made on the Maturity Date.
ICULS converted during the period ended 30 June 2019	:	629,400

Size of ICULS holdings	No. of ICULS Holders	% of Total ICULS Holders	No. of ICULS Held	% of ICULS
Less than 100 ICULS	26	4.377	1,205	0.002
100 – 1,000 ICULS	29	4.882	12,939	0.022
1,001 – 10,000 ICULS	277	46.633	1,480,350	2.504
10,001 – 100,000 ICULS	234	39.394	7,851,850	13.281
100,001 – 2,956,009 ICULS	26	4.377	4,644,400	7.856
2,956,010 and above of ICULS	2	0.337	45,129,450	76.335
TOTAL	594	100.000	59,120,194	100.000

DIRECTORS' INTERESTS IN ICULS

There were no Directors holding ICULS in the Company as at 1 October 2019.

THIRTY (30) LARGEST ICULS HOLDERS

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of ICULS Held	% of ICULS
1	Inter-Pacific Equity Nominees (Asing) Sdn Bhd Berjaya Philippines Inc	40,330,000	68.22
2	Juara Sejati Sdn Bhd	4,799,450	8.12
3	T C Holdings Sendirian Berhad	300,000	0.51
4	K.B. Loh Sdn Bhd	300,000	0.51
5	Cheong Kai Kee	300,000	0.51
6	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Janice Low Su-Lyn	300,000	0.51
7	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong King Hu	256,000	0.43
8	Tan Ah Weng @ Tang Ah Bah	250,000	0.42

Analysis of 2.75% 10-Year Irredeemable Convertible Unsecured Loan Stocks 2010/2020 (ICULS) Holdings

As at 1 October 2019

(Cont'd)

THIRTY (30) LARGEST ICULS HOLDERS (CONT'D)

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of ICULS Held	% of ICULS
9	Peh Sew Chong	233,700	0.40
10	Chew Sze Leong	200,000	0.34
11	Soh Kan Tee	200,000	0.34
12	Wong Wai Kuan	179,500	0.30
13	Chai Ai Li	160,000	0.27
14	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Low Khong See	155,200	0.26
15	Wang Jianping	153,750	0.26
16	Lim Jit Hai	152,500	0.26
17	Loh Chun Lin	150,000	0.25
18	Lim Thiam Wan	150,000	0.25
19	Tan Soon Leong	150,000	0.25
20	Woon Wee Juang	143,800	0.24
21	Teo Kwee Hock	143,800	0.24
22	Wei Hui Kim	133,500	0.23
23	Lim Suey Hock	110,000	0.19
24	Chua Yok Wan	110,000	0.19
25	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Belinda Wong Kah Hung	109,700	0.19
26	Yong Kim Meng	102,250	0.17
27	Teoh Han Chong	100,400	0.17
28	Ng Wee Mian	100,300	0.17
29	Ng Boon Kem	100,000	0.17
30	Saroop Singh A/L Milka Singh	100,000	0.17
		49,973,850	84.54

This page has been intentionally left blank

REDtone

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

CDS Account No.

No. of Shares held

FORM OF PROXY

(before completing this Form of Proxy, please refer to the notes below)

I/We .... NRIC No./Passport No./Company No. ....

of ....
(FULL ADDRESS)

being a member/members of **REDtone International Berhad** ("the Company"), hereby appoint:-

.... (Proxy 1) NRIC No./Passport No. ....
(FULL NAME IN BLOCK LETTERS)

of .... and/or*
(FULL ADDRESS)

.... (Proxy 2) NRIC No./Passport No. ....
(FULL NAME IN BLOCK LETTERS)

of ....
(FULL ADDRESS)

as *my/our proxy to vote for *me/us and on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 3 December 2019 at 10:00 a.m. and at any adjournment thereof.

ORDINARY RESOLUTION		FOR	AGAINST
1.	Approval for the payment of Directors' fees payable to the Non-Executive Directors of the Company on a monthly basis from 4 December 2019 until the next Annual General Meeting of the Company to be held in year 2020.		
2.	Approval for the payment of Directors' benefits payable to the Directors of the Company from 4 December 2019 until the next Annual General Meeting of the Company to be held in year 2020.		
3.	Re-election of Dato' Ismail Bin Osman as a Director of the Company.		
4.	Re-election of Mr. Avinderjit Singh A/L Harjit Singh as a Director of the Company.		
5.	Re-appointment of Messrs. Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
6.	Proposed Retention of Mathew Thomas A/L Vargis Mathews as Independent Non-Executive Director of the Company.		
7.	Authority to Issue Shares pursuant to the Companies Act 2016.		
8.	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Mandate I").		
9.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Mandate II").		
10.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Mandate III").		
SPECIAL RESOLUTION			
Proposed adoption of New Constitution of the Company.			

Please indicate with an "X" in the spaces above on how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.

Dated this .... day of............................2019

For appointment of two (2) proxies, percentage of shareholding to be represented by each proxy		
	No. of shares	%
Proxy 1		
Proxy 2		
Total		

....
* Signature of Member/Common Seal

* *Delete whichever if not applicable*

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 26 November 2019 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting or appoint proxy(ies) to attend and vote in his stead.*
2. *A member entitled to attend and vote at the Meeting, may appoint more than one (1) proxy to attend and vote in his stead. Where a member appoints two (2) proxies to attend and vote at the same Meeting, such appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of the securities account it holds with shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company at Lot 10-04A & 10-04B, Level 10, West, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting.*
7. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by way of poll. Independent Scrutineers will be appointed to validate the results of the poll.*

Please fold here

Stamp

Share Registrar
REDtone International Berhad (596364-U)
Lot 10-04A & 10-04B, Level 10, West,
Berjaya Times Square,
No. 1, Jalan Imbi,
55100 Kuala Lumpur,
Wilayah Persekutuan.

Please fold here

REDtone International Bhd (596364-U)
Suites 22-30, 5th Floor, IOI Business Park, 47100 Puchong, Selangor, Malaysia.

T : +603 8084 8888 **W** : www.redtone.com

Follow us:

REDtoneMalaysia