

REDTONE INTERNATIONAL BERHAD
(**"the Company"** or **"REDtone"**)
[Registration No. 200201028701 (596364-U)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT LANGKAWI ROOM, BUKIT JALIL GOLF & COUNTRY RESORT, BUKIT JALIL, 57000 KUALA LUMPUR ON TUESDAY, 3 DECEMBER 2019 AT 10:00 A.M.

Mr. Mathew Thomas a/l Vargis Mathews, the Senior Independent Non-Executive Director, chaired the Seventeenth Annual General Meeting ("**17th AGM**" or "**Meeting**") of REDtone International Berhad ("**REDtone**" or "**Company**").

The Chairman conveyed the apologies from the Board Chairman, YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail, who was absent from the Meeting as she was on leave due to her pregnancy.

1. PRESENTATION BY THE GROUP CHIEF EXECUTIVE OFFICER

Mr. Lau Bik Soon ("**Mr. Lau BS**"), the Group Chief Executive Officer made a brief presentation on the strategic review and performance of the Group for the financial period ended 30 June 2019 ("**FPE 2019**") as well as the status of projects of REDtone Group.

The presentation slides covered the progress of the Group's operations in Telecommunications Services, Managed Telecommunications Network Services and Industry Digital Services.

2. LETTER RECEIVED FROM MINORITY SHAREHOLDERS WATCH GROUP

Mr. Lau BS read out the questions raised by Minority Shareholders Watch Group via its letter dated 27 November 2019 and the corresponding response from the Company, a copy of which is attached herein as "**Appendix A**".

3. KEY QUESTIONS AND COMMENTS RAISED BY SHAREHOLDERS AND PROXIES

The shareholders and proxies raised the following key matters on the business and operations of the Group, and the clarifications from the Company in response to the questions and comments raised are summarised below:-

3.1 A shareholder raised the following questions and answers were provided by the Group Chief Executive Officer:-

- (a) the role of REDtone in 5G, the fifth generation mobile network technology and benefits to be derived from the 5G technology

Reply:

REDtone is excited about the potential of 5G services and will benefit from 5G in terms of its offering of Managed Telecommunications Network Services ("**MTNS**") and building of infrastructure for the development of 5G network. In tandem with the roll-out of 5G network services by the telcos and the increasing coverage of 5G spectrum, REDtone will be able to collaborate with the telcos to provide reliable and advanced 5G service network to its corporate clients.

Apart from the many benefits of 5G internet including industrial usage and enabling IoT applications that require near instantaneous data transmission

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such as remote surgery and self-driving cars, individual users are also poised to benefit from 5G.

- (b) whether REDtone will propose a rights issue to finance the capital investment in 5G

Reply:

The Company is not expected to undertake any fund raising exercise to finance the capital investment in the construction of telecom and infrastructure assets for 5G connectivity. REDtone is involved in the MTNS business of building infrastructure for the government and telcos. The nature of MTNS business is asset-light and does not involve huge capital investment. REDtone will collaborate with the telcos on wholesale basis to provide smart solutions to the corporate clients, which will not require significant capital expenditure from REDtone.

- 3.2 A proxy raised the following questions, which were duly addressed by the Chairman and the Management:-

- (a) The impact arising from the implementation of the Malaysian Financial Reporting Standard (“**MFRS**”) 9 *Financial Instruments*, MFRS 15 *Revenue from contracts with customers* and MFRS 16 *Leases*.

Reply:

The impact and discussion from the implementation of the above significant new MFRSs namely, MFRS 9, MFRS 15 and MFRS 16, had been explained in Note 2: Significant Accounting Policies set out from page 59 to page 64 of the Annual Report 2019.

The Management had carried out the assessment on the financial impact to the financial statements of the Group and the Company, arising from the adoption of these new accounting standards. The outcome of the assessment had been discussed with and concurred by the External Auditors.

- (b) the increase in revenue from contract customers, particularly, the MTNS business as shown in Note 3: Revenue on page 89 of the Annual Report 2019.

Reply:

The MTNS business is a project-based business spread over 3 to 5 years of which the revenue will be recognised at different phases of the project which would include capital expenditure, deployment and maintenance. At the deployment phase, there will be a spike in revenue.

REDtone has successfully implemented several large-scale government projects like Kampung Tanpa Wayar (KTW), TIME-3 (T3), Pusat Internet Malaysia (PiM) and other Universal Service Provision (USP) initiatives. The deployment of sites under the TIME-3 project had contributed to the significant growth in revenue for FPE 2019 and this trend would continue in the ensuing 2020 financial year.

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The baseline revenue for MTNS segment was approximately RM13 million to RM15 million, on top of the large-scale projects awarded by the government and Malaysian Communications and Multimedia Commission (“MCMC”). The MTNS business will always bring in recurring revenue, given the nature of the services provided by the Group, such as WiFi project implementation and telco engineering services.

- (c) the reason for the increase in the Group’s audit fees for “other services” from RM34,000 in last year to RM128,000 for FPE 2019, as shown in Note 6: Profit before tax on page 90 of the Annual Report 2019.

Reply:

Overall, the Group’s audit fees had increased consequential from the change of financial year end of the Group with additional two (2) months to be covered by the External Auditor, Messrs. Ernst & Young. The increase in audit fees for “other services” was attributed to the following additional non-audit works undertaken by the External Auditors:-

- Review of valuation of REDtone Mex Sdn. Bhd.
- Review of MFRS 9 and MFRS 15

- (d) the significant increase or variance in income tax expenses in respect of the following items as indicated in Note 9: Taxation on page 92 of the Annual Report 2019:

	Group	
	1.5.2018 to 30.6.2019 (RM’000)	1.5.2017 to 30.4.2018 (RM’000)
Income not subject to tax	(2,474)	(297)
Expenses not deductible	4,253	1,166
Under provision of income tax in prior years	2,077	157

Reply:

On the question relating to ‘under provision of income tax in prior years’, it was highlighted that REDtone has decided to take the special voluntary disclosure programme (“**SVDP**”) offered by the Inland Revenue Board of Malaysia.

SVDP is part of the government’s effort in reforming the tax system to encourage taxpayers to come forward on a voluntary basis to disclose their previous undeclared income and settle tax arrears up to 31 December 2017. Upon ascertaining the tax arrears under the SVDP, the under provision of income tax for the past five (5) years was settled in the current year.

It was pointed out that ‘income not subject to tax’ consist of investment income derived from the investment in certain funds which are exempted from tax.

On the question of ‘expenses not deductible’, it was explained that according to the Income Tax Act 1967, there are certain expenses which, will not be

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deductible if they are not wholly and exclusively incurred in the production of income.

- (e) why REDtone Mex Sdn. Bhd. ("**REX**") is classified as an associate despite that the Group continues to hold 56% equity shareholding in REX, as disclosed in Note 16: Investment in subsidiaries on page 102 of the 2019 Annual Report.

Reply:

Following a restructuring exercise, REDtone's control in management and operations of REX has ceased which resulted in REX ceasing to be a subsidiary and being re-classified as an associated company of REDtone although the Company continues to hold a 56% stake in REX.

REDtone is no longer involved in the strategic and operating matters relating to REX. In compliance with the Malaysian Financial Reporting Standards, the financial results of REX, now an associated company, will accordingly be equity accounted for in the financial statements of the REDtone Group.

- (f) with reference to the ageing analysis of trade receivables in Note 20: Trade and other receivables on pages 107 of Annual Report 2019, why receivables more than 121 days past due not impaired.

	Group	
	30.6.2019 RM'000	30.4.2018 RM'000
More than 121 days past due not impaired	18,693	19,583

Reply:

The trade and other receivables comprised receivables from various customers and contract assets. The bulk of the outstanding receivables are due from MCMC, of which certain receivables were carried forward from the ongoing projects commenced in previous years. Based on the historical payment records, MCMC would take longer time to settle the payments. The Management would not expect MCMC to fail to meet their obligations. MCMC is a creditworthy debtor albeit the payments are relatively slow exceeding the Group's normal credit terms.

- (g) with reference to the related party transactions set out in Note 32: Related party disclosures on page 117 of Annual Report 2019, why there is a significant increase in the amount transacted with BLoyalty Sdn. Bhd.

	Group	
	1.5.2018 to 30.6.2019 (RM'000)	1.5.2017 to 30.4.2018 (RM'000)
Data centre services: - BLoyalty Sdn. Bhd.	840,000	50,000

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Reply:

BLoyalty is the largest loyalty card in Malaysia with over 5 million users. REDtone has helped BLoyalty to digitise their businesses by moving the data stored in the servers to cloud storage. In addition, REDtone also assisted BLoyalty to mine the data from social media platform. The big data obtained from user-generated content on social media sites and mobile apps, will enable BLoyalty to analyse the data and form conclusions about users, and act upon the information for purpose of advertising to users or extending rewards to users.

The transactions with BLoyalty Sdn. Bhd. will continue to be carried on in the ordinary courses of business of REDtone Group of providing the industry digital services for its clients.

- (h) The Property, plant and equipment ("**PPE**") amounted to RM14.33 million as at 30 June 2019 against that of RM19.914 million as at 30 April 2018 reported in the Statements of Financial Position.

With cross reference to the movement of PPE in Note 12 of the Audited Financial Statements (pages 94 and 95 of Annual Report 2019), it was unable to reconcile the carrying amount of PPE to RM14.33 million as at 30 June 2019.

Reply:

The Meeting was guided to read the amount of accumulated depreciation and assets written-off in between the two (2) financial years, in order to reconcile to the PPE amounting to RM14.33 million as at 30 June 2019. The written-off amount of RM1,000 recorded under 'Freehold and leasehold office lots' as at 30 June 2019, served as balancing figures for the decimal point for rounded-up amounts.

- 3.3 A shareholder noted that the Company has held 9,502,000 ordinary shares as treasury shares as at 30 June 2019 and raised the following questions, which were responded by the Group Chief Executive Officer:-

- (a) whether the Company would distribute the treasury shares as share dividends to the shareholders of the Company

Reply:

The decision whether to distribute the treasury shares as share dividends as a reward to the shareholders of the Company, will be made by the Board at the appropriate time.

- (b) has the Company adopted a dividend policy

Reply:

For the time being, the Company has not adopted a formal dividend policy. Nevertheless, the Company has declared an interim single-tier dividend of 1.0 sen per ordinary share for the financial period ended 30 June 2019. The 1.0

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sen dividend shall amount to total payout of RM7.58 million at dividend yield of approximately 2.8% or 34.5% of the earnings of the Company for the financial period ended 30 June 2019.

In recommending the proposed dividend policy, the Board would have to take into consideration the Group's operating results, capital requirements, growth and expansion strategy, and other factors considered relevant by the Board.

- 3.4 A shareholder enquired whether the Company is planning to transfer its listing on the ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

Reply:

The Group Chief Executive Officer clarified that the proposed transfer of the Company's listing from ACE Market to Main Market of Bursa Malaysia Securities Berhad will be considered in due course.

- 3.5 A proxy referred to the proposed new recurrent related party transactions (“RRPTs”) to be transacted with Qinetics Solutions Sdn. Bhd. and its unlisted subsidiary companies (“**Qinetics Group**”) as set out on Part A, Section 1.3 of the Circular.

The proxy raised the following questions and answers were provided by the Group Chief Executive Officer:-

- (a) how the estimated aggregate value of the RRPTs with Qinetics Group are ascertained for the provision of data centre and cloud related services, and for the purchase of hardware security module for electronic payment.

Reply:

The estimates of the value of RRPTs with Qinetics Group are ascertained based on the nature of products or services provided and the opportunities in the market as well as REDtone Group's usual business practices.

- (b) the rationale of seeking the renewal of shareholders' mandate for RRPTs with U-Mobile Sdn. Bhd. for estimated amount RM10 million for which no actual transactions were entered into with U-Mobile Sdn. Bhd. pursuant to the previous mandate obtained from the shareholders.

Reply:

It was explained that the Management envisage continuous direct business opportunity with U-Mobile Sdn. Bhd. for construction of mobile base stations and related operations and maintenance. Therefore, the Company is asking the renewal of shareholders' mandate for the RRPTs contemplated to be carried out with U-Mobile Sdn. Bhd.

After dealing with all items on the Agenda, the resolutions set out in the Notice of Seventeenth Annual General Meeting dated 25 October 2019 were put to vote by way of poll.

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The Independent Scrutineer announced the results of the poll for each of the resolutions and the Chairman declared the resolutions were duly carried and passed by the shareholders and proxies present.

The Meeting ended at 11:52 a.m.



REDtone International Bhd (596364-U)
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3 December 2019

The Chief Executive Officer
Minority Shareholders' Watch Group
Tingkat 11, Bangunan KWSP
No. 3 Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur.

Attn.: Mr Devanesan Evansan

Dear Sir,

REDTONE INTERNATIONAL BERHAD ("REDtone")
17TH ANNUAL GENERAL MEETING ("AGM") TO BE HELD ON TUESDAY, 3
DECEMBER 2019

We refer to your letter dated 27 November 2019 and the questions raised with regards to REDtone's Annual Report for the financial period ended 30 June 2019 and are pleased to furnish our replies to your queries as below. We are also pleased to inform that the same responses were presented during our AGM held on 3 December 2019.

Strategy & Financial Matters

1. Trade receivables written-off has increased significantly to RM7.5 million (2018: RM0.43 million) (Note 20, page 108 of Annual Report 2019 ("AR2019")).

What are the measures taken to tighten the credit control policies of the Group?

REDtone's response:

Standard credit control procedures are performed for all customers before their registration and it has been working well.

For the amount of RM7.5 million highlighted, this is a disputed amount with the customers in relation to eligibility of billing for engineering services (under Managed Telco Network Services segment) and it is related to services performed in year 2015 and before. The amount has been fully impaired in financial period ended 2016. Thereafter, we have been trying to recover the debt but have been unsuccessful. Hence, we have written-off the amount in financial period ended 30 June 2019.

2. Revenue contribution from industry digital services have decreased to approximately RM3.4 million (2018: RM6.5 million) (Note 36, page 126 of AR 2019).
 - (a) Why has revenue contribution from industry digital services decreased significantly?
 - (b) What is the outlook and prospect for the industry digital services, going forward?

REDtone's response:

- (a) The reduction was mainly due to lower revenue contribution from REDtone MEX Sdn Bhd ("REX"), our associate company (It was our subsidiary company before 19 March 2019). The revenue contribution from REX declined from RM4.3 million to RM0.4 million, primarily due to the deconsolidation of REX as disclosed in note 16 page 102.
- (b) For other Industry Digital Services businesses, REDtone remains an innovative leader in the areas of Smart Farming, IOT technologies, Virtual Reality, Cloud and Big Data. The revenue contribution expected to remain small but it is getting good traction of growth.

We are committed to growing a partnership ecosystem for technology collaboration, as we believe that this is key to maximizing value and enhancing the economic vitality of smart city, smart farming and virtual reality projects.

Corporate Governance Matters

1. YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail only attended 4 out of 6 Board meetings – 66% attendance during the financial year (page 23 of AR2019).

What are the reasons for her not being able to attend the other two Board meetings during the financial year?

REDtone's response:

YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail was not able to attend the two Board meetings due to an unavoidable commitment overseas and the demise of YAM Tengku Zanariah binti Almarhum Tengku Ahmad, the beloved grandmother of YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail.

2. YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail, the Non-Independent Non-Executive Chairman's fees for the financial period ended 30 June 2019 was RM420,000 (page 29 of AR2019) – at least 5 to 8 times higher than the other Independent Non-Executive Directors' fees. Her fees is 1.7 times higher than all the four independent Non-Executive Directors' fees in total add up.

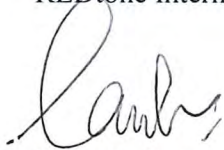
Why is YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail director's fees significantly higher than the rest of the Company's Independent Non-Executive Directors' fees?

REDtone's response:

The Directors' fees are set in accordance with a remuneration framework comprising responsibility fees and attendance fees. The role of the Company's Chairman includes leading the Board and together with the Executive Directors represent the Company to external groups including local communities and federal, state, and local governments. YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail as the Chairman of the Company also advises the Company on strategic matters.

We trust that the above have clarified the questions raised.

Yours faithfully,
For and on behalf of
REDtone International Berhad



Lau Bik Soon
Group Chief Executive Officer