REDtone

INTERNATIONAL BERHAD

Company No. 200201028701 (596364-U)

DIGITAL TRANSFORMATION

#GrowStrongBiz

ANNUAL REPORT 2020

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of **REDtone International Berhad** ("**Company**") will be conducted entirely through live streaming from the broadcast venue at Manhattan V, Level 14, Berjaya Times Square Hotel Kuala Lumpur, No. 1, Jalan Imbi, 55100 Kuala Lumpur ("**Broadcast Venue**") on Wednesday, 2 December 2020 at 10:00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 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 RM1,200,000 payable to the Non-Executive Directors of the Company on a monthly basis from 3 December 2020 until the next Annual General Meeting of the Company to be held in year 2021.	**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 3 December 2020 until the next Annual General Meeting of the Company to be held in year 2021.	**Ordinary Resolution 2**
4. To re-elect the following Directors who retire by rotation in accordance with Clause 117 of the Company's Constitution and being eligible, have offered themselves for re-election:-	
(i) Mathew Thomas a/l Vargis Mathews	**Ordinary Resolution 3**
(ii) YAM Tunku Tun Aminah binti Sultan Ibrahim Ismail	**Ordinary Resolution 4**
5. To re-elect the following Directors who retire by rotation in accordance with Clause 116 of the Company's Constitution and being eligible, have offered themselves for re-election:-	
(i) Zakaria bin Abdul Hamid	**Ordinary Resolution 5**
(ii) Datuk Seri Jamil bin Salleh	**Ordinary Resolution 6**
6. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	**Ordinary Resolution 7**

AS SPECIAL BUSINESS

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

7. **Ordinary Resolution** **Retention of Dato' Mohd Zaini bin Hassan as Independent Non-Executive Director**	**Ordinary Resolution 8**

"**THAT** Dato' Mohd Zaini bin Hassan who will have served as an Independent Non-Executive Director of the Company for a cumulative term of nine (9) years from 23 April 2021 onwards, be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance."

8. **Ordinary Resolution**
Retention of Mathew Thomas a/l Vargis Mathews as Independent Non-Executive Director — **Ordinary Resolution 9**

"**THAT** subject to passing of Ordinary Resolution 3, 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."

9. **Ordinary Resolution**
Authority to Issue Shares pursuant to the Companies Act 2016 — **Ordinary Resolution 10**

"**THAT**, subject always to the Companies Act 2016, the Constitution 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 twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being (hereinafter referred to as the "**20% General Mandate**") as empowered by Bursa Malaysia Securities Berhad pursuant to its letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers;

AND THAT the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares to be issued pursuant to the 20% General Mandate 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."

10. **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 11**

"**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 Section 2.3 of the Circular to Shareholders dated 23 October 2020 ("**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:-

Notice of Annual General Meeting
(Cont'd)

(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 ("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."

11. **Ordinary Resolution** **Ordinary Resolution 12**
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

"**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 Section 2.3 of the Circular to Shareholders dated 23 October 2020 ("**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."

12. **Special Resolution** **Special Resolution**
Proposed Change of Company's Name from "REDtone International Berhad" to "REDtone Digital Berhad"

"**THAT** the name of the Company be changed from "REDtone International Berhad" to "REDtone Digital Berhad" effective from the date of issuance of the Notice of Registration of New Name to be issued by the Companies Commission of Malaysia to the Company.

AND THAT the Directors and/or the Secretaries of the Company be and are hereby authorised and empowered to carry out all the necessary steps and formalities in effecting the Proposed Change of Name."

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

By order of the Board

CHUA SIEW CHUAN (SSM PC NO.: 201908002648) (MAICSA 0777689)
TAN LEY THENG (SSM PC NO.: 201908001685) (MAICSA 7030358)
Company Secretaries

Kuala Lumpur
Dated: 23 October 2020

NOTES:

1. As no shareholders should be physically present at the Broadcast Venue, all shareholders are urged to attend the Meeting remotely using the Remote Participation and Voting ("**RPV**") facilities which are available on Securities Services e-Portal at https://sshsb.net.my/login.aspx. For further details and guidelines on RPV facilities, please refer to the Administrative Notes.

2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 25 November 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend, speak and vote remotely at the Meeting or appoint proxy(ies) to attend, participate, speak and vote remotely in his stead.

3. 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, participate, speak and vote at the same Meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to attend, participate, speak and vote at the meeting. The members or their proxies may communicate via real time submission of typed texts through a text box within Securities Services e-Portal's platform during live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in the primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Meeting.

Notice of Annual General Meeting
(Cont'd)

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

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

6. 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.

7. The instrument appointing a proxy must be deposited at the office of SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, or submit the Form of Proxy electronically via Securities Services e-Portal at https://sshsb.net.my/login.aspx not later than 48 hours before the time set for holding the Meeting. The lodging of the Form of Proxy does not preclude you from attending and voting remotely at the Meeting should you subsequently decide to do so, provided you register for Remote Participation and Voting by Monday, 30 November 2020 at 10:00 a.m.

8. 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.

Explanatory Notes to Ordinary and Special Business

(i) Audited Financial Statements for the financial year ended 30 June 2020

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 Eighteenth 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 3 December 2020 until the next AGM of the Company to be held in year 2021; 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 3 December 2020 until the next AGM of the Company to be held in year 2021.

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.

Notice of Annual General Meeting
(Cont'd)

(iii) Ordinary Resolutions 8 and 9 – Retention of Independent Non-Executive Directors

Dato' Mohd Zaini bin Hassan was appointed as an Independent Non-Executive Director of the Company on 23 April 2012. Therefore, Dato' Mohd Zaini bin Hassan will have served the Board in that capacity for a cumulative term of nine (9) years by 23 April 2021.

In accordance with the Malaysian Code on Corporate Governance, prior approval should be obtained from the shareholders at the Eighteenth AGM, to enable Dato' Mohd Zaini bin Hassan to continue in office as an Independent Non-Executive Director before he reaches the nine (9) years term limit on 23 April 2021.

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 in that capacity for a cumulative term of more than twelve (12) years. As described in the Guidance to Practice 4.2 of the Malaysian Code on Corporate Governance, the retention of Mr. Mathew Thomas a/l Vargis Mathews as an Independent Non-Executive Director of the Company, is subject to approval from the Company's shareholders through a two-tier voting process.

The Board, through the Nomination Committee, recommends that approval of the shareholders be sought to retain Dato' Mohd Zaini bin Hassan and Mr. Mathew Thomas a/l Vargis Mathews as Independent Non-Executive Directors, based on the following justifications:

(a) They fulfil the criteria under the definition of Independent Director pursuant to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad;

(b) They are able to consistently demonstrate their independence and professionalism and effectively contribute and add value to the Company through Board Committees they serve as well as the Board;

(c) They have vast experience in a diverse range of businesses and are able to provide constructive opinions and exercise independent judgement in the best interests of the Company, and actively express their views and participate in Board deliberations and decision making in an objective manner;

(d) Mr. Mathew Thomas a/l Vargis Mathews has financial expertise especially in internal audit, and has discharged his role as Chairman of the Audit Committee with due care and diligence in the best interest of the Company; and

(e) There are significant advantages to be gained from long-serving Independent Directors who have many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, and are able to provide invaluable contributions to the Board in their roles as Independent Non-Executive Directors.

(iv) Ordinary Resolution 10 – Authority to Issue Shares

The Company had been granted a general mandate by its shareholders at the Seventeenth AGM of the Company held on 3 December 2019 ("**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.

Bursa Malaysia Securities Berhad had vide its letter dated 16 April 2020 allowed, as an interim measure, for the listed corporations to seek a higher general mandate under Rule 6.04 of the ACE Market Listing Requirements of not more than twenty per centum (20%) of the total number of issued shares (excluding treasury shares) for issue of new securities ("**20% General Mandate**"), provided that:-

(a) the listed corporation procures its shareholders' approval for the 20% General Mandate at a general meeting; and

(b) the listed corporation complies with all the relevant applicable legal requirements including its constitution or relevant constituent document.

Notice of Annua l General Meeting
(Cont'd)

The 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 and thereafter, the ten per centum (10%) general mandate will be reinstated.

The Board, having considered the current economic climate arising from the global COVID-19 pandemic, future financial needs and capacity of the Group, is of the opinion that this 20% General Mandate is in the best interests of the Company and its shareholders.

The proposed Resolution 10, 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 11 to 12 – Proposed New Shareholders' Mandate and Proposed Renewal of Shareholders' Mandate

The proposed Resolutions 11 and 12, 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 23 October 2020.

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

The details of the proposals are set out in Part A of the Circular to Shareholders dated 23 October 2020.

(vi) Special Resolution – Proposed Change of Name

The proposed Special resolution, if passed, will allow the change of name of the Company from "REDtone International Berhad" to "REDtone Digital Berhad" effective from the date of issuance of the Notice of Registration of New Name of the Company by the Companies Commission of Malaysia.

Further information on the proposal is set out in Part B of the Circular to Shareholders dated 23 October 2020.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Datuk Seri Jamil Bin Salleh
(Deputy Chairman/ Independent Non-Executive Director)

Lau Bik Soon
(Group Chief Executive Officer)

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)

Zakaria Bin Abdul Hamid
(Non-Independent Non-Executive Director)

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)

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

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

AUDITORS

Ernst & Young PLT
202006000003
(LLP0022760-LCA) & AF 0039
Chartered Accountants

COMPANY SECRETARIES

Chua Siew Chuan
(SSM PC NO. 201908002648)
(MAICSA 0777689)

Tan Ley Theng
(SSM PC NO. 201908001685)
(MAICSA 7030358)

PRINCIPAL BANKER

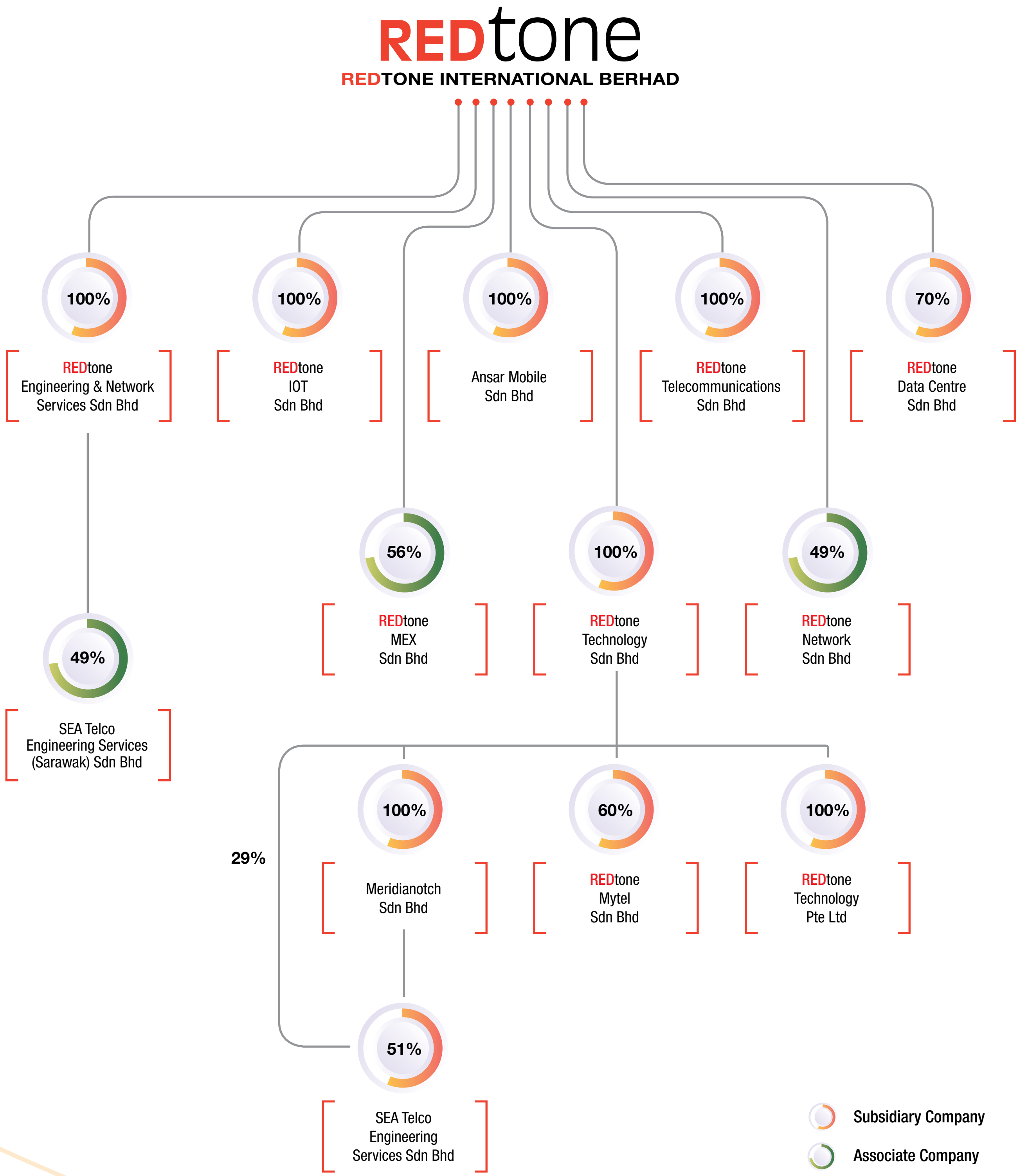
Standard Chartered Bank (M) Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE

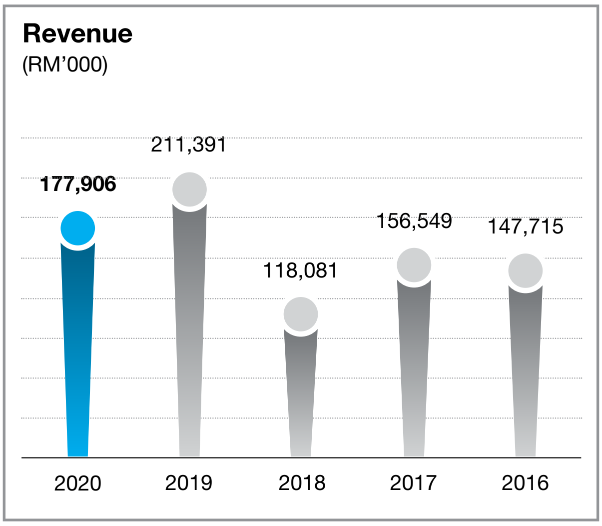
As at 23 October 2020

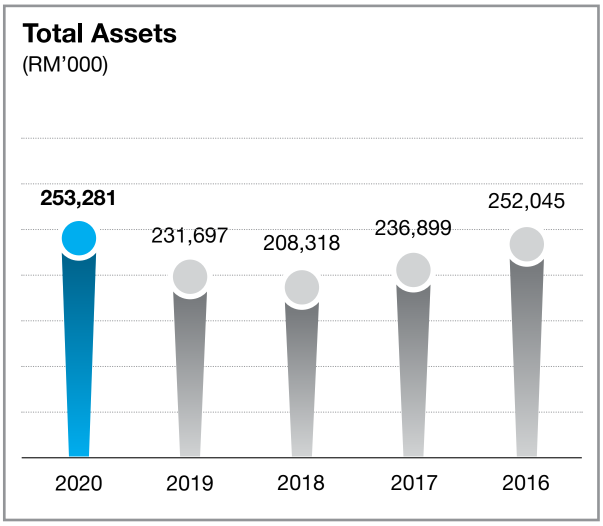


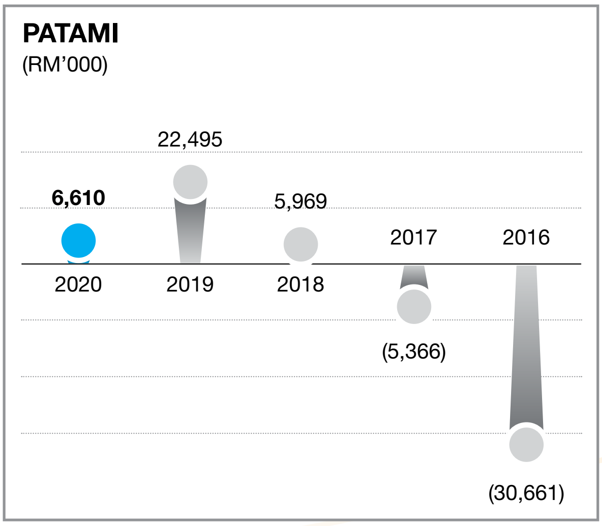
GROUP FINANCIAL SUMMARY

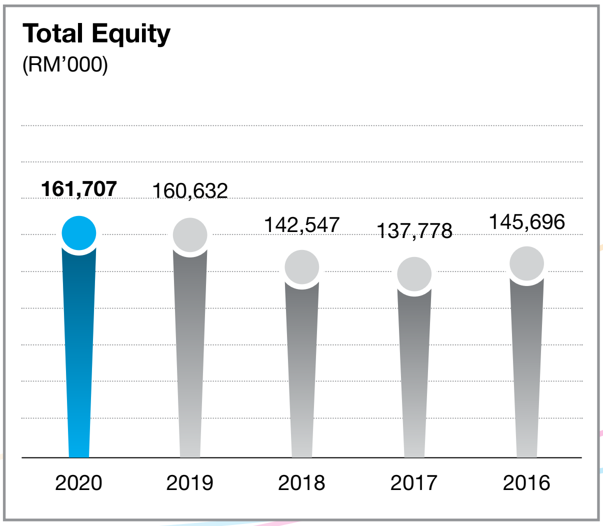
	12 months FY 2020 30-Jun-20	14 months FP 2019 30-Jun-19	12 months FY 2018 30-Apr-18	12 months FY 2017 30-Apr-17	11 months FP 2016 30-Apr-16
Financial Results (RM'000)					
Revenue	177,906	211,391	118,081	156,549*	147,715*
Profit/(Loss) Before Tax	19,691	33,607	6,513	(4,188)	(41,301)
Profit/(Loss) After Tax	8,717	21,990	4,769	(5,868)	(39,637)
Profit/(Loss) Attributable To Shareholders ("PATAMI")	6,610	22,495	5,969	(5,366)	(30,661)
Financial Positions (RM'000)					
Total Assets	253,281	231,697	208,318	236,899	252,045
Total Current Liabilities	84,764	69,522	62,815	94,984	101,198
Total Non-current Liabilities	6,810	1,543	2,956	4,137	5,151
Total Equity	161,707	160,632	142,547	137,778	145,696
Financial Ratios					
Net Assets Per Share	20.74	21.54	18.54	17.76	18.08
Net Earnings /(Loss) Per Share (Sen)	0.86	2.91	0.77	(0.70)	(3.93)

* *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/ 34
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 three out of five Board Meetings held during the financial year ended 30 June 2020.

DATUK SERI JAMIL BIN SALLEH

Deputy Chairman/ Independent Non-Executive Director
Nationality/ Age: Malaysian/ 61
Gender: Male

Datuk Seri Jamil Bin Salleh was appointed to the Board of Directors of the Company on 19 August 2020. He obtained his B.A. (Hons) of Anthropology and Sociology Degree from University Malaya, Kuala Lumpur in 1983, and a Diploma in Public Management from National Institute of Public Administration, Kuala Lumpur in 1986.

He began his career in Public Services in 1983 as a Senior Officer of Cultural, Youth and Sports in the Ministry of Youth and Sports. In year 1986, he was appointed as an Assistant Secretary for the Finance Division under the Ministry of Home Affairs, and in year 1997, he was the Assistant Secretary of Ceremonies and Protocol Division under the Ministry of Defence. He was the Head of Planning and Development Unit for Prison Department under the Ministry of Home Affairs in year 2000, and later the Director of Development and Logistic for Prison Department in year 2004. In 2007, Datuk Seri Jamil served as the Director of Development and Procurement Division in Prison Department and the Deputy Division Secretary of National Key Results Area with the Ministry of Home Affairs in 2009. In 2010, Datuk Seri Jamil was the Deputy Secretary-General of the Ministry of Youth and Sports and was promoted to Secretary-General of the Ministry of Youth and Sports in 2013. Datuk Seri Jamil in 2016 served as the Secretary-General of the Ministry of Domestic Trade, Cooperatives and Consumerism before retiring from Public Services in 2019.

He currently sits as the Chairman of De Metrology Sdn Bhd, the Senior Chairman of Hai-0 Sajadah Marketing Sdn Bhd, a board member of Dunia Melayu Dunia Islam (DMDI) Melaka and on the Investment Panel of Pertubuhan Keselamatan Sosial (PERKESO).

As he was appointed after the financial year ended 30 June 2020 on 19 August 2020, he did not attend the Board Meetings held during the financial year ended 30 June 2020.

Board of Directors' Profile
(Cont'd)

LAU BIK SOON
Group Chief Executive Officer
Nationality/ Age: Malaysian/ 49
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 offerings, particularly in the area of digital services and infrastructure. 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 26 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 five Board Meetings held during the financial year ended 30 June 2020.

MATHEW THOMAS A/L VARGIS MATHEWS
Senior Independent Non-Executive Director
Nationality/ Age: Malaysian/ 64
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 five Board Meetings held during the financial year ended 30 June 2020.

Board of Directors' Profile
(Cont'd)

DATO' MOHD ZAINI BIN HASSAN
Independent Non-Executive Director
Nationality/ Age: Malaysian/ 56
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 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 all five Board Meetings held during the financial year ended 30 June 2020.

AVINDERJIT SINGH A/L HARJIT SINGH
Independent Non-Executive Director
Nationality/ Age: Malaysian/ 49
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 26 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, Iskandar Waterfront Holdings Sdn Bhd, QSR Brands (M) Sdn Bhd, MSC Cyberport Sdn Bhd, Iskandar Seafront Assets Sdn Bhd, Berjaya Assembly Sdn Bhd and Berjaya Waterfront Sdn Bhd. In addition to this, in July 2018 he was appointed to the Board of Trustees of Yayasan Sultan Ibrahim Johor (Sultan Ibrahim Johor Foundation).

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

He attended all five Board Meetings held during the financial year ended 30 June 2020.

Board of Directors' Profile
(Cont'd)

LOH PAIK YOONG
Non-Independent Non-Executive Director
Nationality/ Age: Malaysian/ 56
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 PLT) 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 Caring Pharmacy Group Berhad and The Tropical Veneer Company Berhad and 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 five Board Meetings held during the financial year ended 30 June 2020.

ZAKARIA BIN ABDUL HAMID
Non-Independent Non-Executive Director
Nationality/ Age: Malaysian/ 55
Gender: Male

Encik Zakaria Bin Abdul Hamid was appointed to the Board of Directors of the Company on 1 July 2020. He obtained his Bachelor of Science Degree from New Mexico State University in 1987.

He began his career in 1988 as a transport planner at California Transportation department whilst pursuing his master's degree in urban planning at California State University. He returned to Malaysia in 1992 and was employed as an environmental engineer by a KL based consulting firm. In year 2000, he started his own consulting firm upon being granted a certified professional license as an environmental consultant from the Department of Environment.

He is the Group Chairman for Berjaya Enviro Group of Companies. He is also active in politics and community works. He was a political secretary to Works Minister in 2018/2019, and currently serves as the Chairman of the National Film Development Corporation Malaysia (FINAS).

As he was appointed after the financial year ended 30 June 2020 on 1 July 2020, he did not attend the Board Meetings held during the financial year ended 30 June 2020.

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 year.*

KEY SENIOR MANAGEMENT'S PROFILE

YAU CHEE KEONG, ANDY
Chief Executive – REDtone Data Centre Sdn Bhd
Nationality/ Age: Malaysian/ 62
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 Certified Outsourcing Professional Master Class, and recently, completed the Harvard Business School Executive Program on Business Analytics & Big Data in March 2018.

Mr. Yau has more than 37 years of working experience in the Information and communication technology arena. He spent his last 26 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 recent working experience involves technology areas in cloud computing, virtual reality, augemented reality, 3D Modelling, analytics, and IoT.

LAU HOCK CHYE
Chief Financial Officer
Nationality/ Age: Malaysian/ 54
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 year.*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

a) Telecommunications Services ("TS") – REDtone offers data and voice services to government, enterprises and small and medium enterprises ("SMEs"), 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 comprehensive solution that satisfy customer demands.

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, cloud services and applications, Internet of Things ("IoT") which includes smart farming services.

CHANGE OF FINANCIAL YEAR END

The Group changed its financial year end to 30 June in 2019. As a result, the comparative financial results which were prepared for a 14-month period ended 30 June 2019 ("FPE 2019") are non comparable to the results of the current financial year under review.

REVENUE

The Group's revenue for the financial year ended 30 June 2020 ("FY2020") was RM177.9 million (FPE 2019: RM211.4 million). The bulk of the revenue were derived from TS and MTNS segments. The decrease in revenue was mainly due to the lower revenue from TS and MTNS segments.

GROSS PROFIT AND GROSS PROFIT MARGIN

For FY2020, the Group recorded a gross profit of RM76.3 million (FPE 2019: RM85.2 million) or a gross profit margin of 43% as compared to a gross profit margin of 40% in the preceding financial period. The improvement in the gross profit margin was due to higher contribution from TS segment relative to MTNS segment for FY2020.

GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative expenses for FY2020 was RM30.8 million (FPE 2019: RM49.8 million), mainly comprises of staff costs, depreciation and amortisation and general and administrative expenses.

PROFIT BEFORE TAX

The Group registered a profit before tax of RM19.7 million in FY2020 (FPE 2019: RM33.6 million) mainly contributed by its TS and MTNS segments. The lower profit before tax recorded during the financial year also attributed to the impairment loss on intangible asset amounting to RM24.7 million.

Management Discussion and Analysis

(Cont'd)

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 2020, the Group had cash and bank balances of RM44.0 million (FPE 2019: RM51.8 million). Included in the Group's cash and bank balances are deposits of RM38.5 million (FPE 2019: RM49.1 million) which are pledged to banks for facilities granted to subsidiary companies.

FUTURE PROSPECTS

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

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

SUSTAINABILITY STATEMENT

REDtone International Berhad ("REDtone")'s vision, among others, is to serve and make a positive impact on people and organisations by delivering reliable digital infrastructure and services. REDtone's Digital Telecommunications' vision hinges on capturing new opportunities which continuously emerge from rapid growth of data and digital services.

With the increase in public awareness on environmental and social issues, REDtone believes a balanced approach to sustainability will resonate well with its customers and partners in its supply chain, build trust and further improve its reputation in the industry.

This is the third annual Sustainability Statement ("SS") for REDtone, covering its material Economic, Environmental and Social ("EES") themes. It is prepared in accordance with the Sustainability Reporting Guide (2nd Edition) 2018 issued by Bursa Malaysia Securities Berhad.

1.0 GOVERNANCE STRUCTURE

The Sustainability Working Group ("SWG") was formed in October 2016. The Material Entity Sustainability Officer ("MESO") who represents REDtone, is one of the member of SWG of Berjaya Corporation Berhad ("BCorp"). MESO who represents REDtone collates various significant sustainability initiatives and prepares the SS. She reports to the Head of SWG of BCorp who oversees the overall planning and strategizing of sustainability practices and policies of BCorp .

2.0 SCOPE

REDtone is a subsidiary company of BCorp and it is one of the leading digital infrastructure and services provider which offers an extensive range of services under three core businesses:-

i. Telecommunications Services;
ii. Managed Telecommunications Network Services ("MTNS"); and
iii. Industry Digital Services.

The EES information disclosed in this SS was derived from internal governance structure, processes, policies, measures, systems and internal controls of REDtone.

3.0 MATERIALITY

Materiality Sustainability matters refer to those that reflect REDtone's significant EES impacts or substantively influence the assessments and decisions of its stakeholders. The prioritization exercise is conducted annually by REDtone together with other business functions.

The Materiality Matrix below displayed the position of the 13 Sub-Themes relative to the degree of importance to REDtone's major stakeholders and its impact on EES. The Group's business operation and its MESO of SWG strive to review the Materiality Matrix on an annual basis.

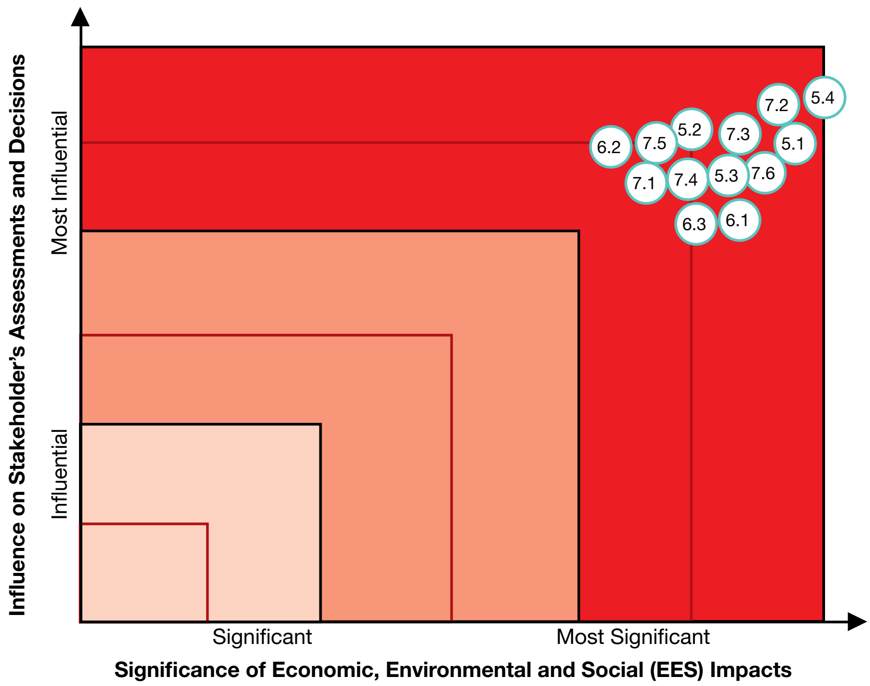
Sustainability Statement
(Cont'd)

3.0 MATERIALITY (CONT'D)

3.1 REDtone's Sub-Themes:

5.0 Economic	5.1	Financial Performance
	5.2	Procurement Practices
	5.3	Community Investment
	5.4	COVID-19 Pandemic
6.0 Environmental	6.1	Waste
	6.2	Energy
	6.3	Land Remediation
7.0 Social	7.1	Human Resources Diversity and Gender Equality
	7.2	Occupational Safety and Health
	7.3	Labour Practices - Human Capital
	7.4	Society
	7.5	Product and Services Responsibility
	7.6	Compliance

3.2 REDtone's Materiality Matrix:



3.0 MATERIALITY (CONT'D)

3.3 Stakeholders' Engagement

Engagement with stakeholders focuses on inclusiveness, responsiveness and building a continuous relationship between REDtone and its major stakeholders. The process also takes into account revisions and improvements upon obtaining feedback from stakeholders. Generally, the process involves three (3) main stages, namely:-

i. Engagement Strategy & Planning;
ii. Communicating & Engaging; and
iii. Monitoring & Responding.

4.0 MANAGEMENT APPROACH

REDtone strives to incorporate sustainable business practices in order to minimize its adverse environmental and social impacts arising from its daily operations. It is guided by a long-term sustainability strategy comprising three (3) EES themes.

ECONOMIC SUSTAINABILITY
Creation of long-term value for the stakeholders.

ENVIRONMENTAL SUSTAINABILITY
Striving towards reducing the Group's environmental footprint by improving on efficiency of utilisation of resources and supporting conservation efforts.

SOCIAL SUSTAINABILITY
Dealing with customers and the public according to good market practices and regulatory requirements, conducive workplace practices and community engagement through a variety of initiatives involving the Group's monetary and non-monetary resources.

5.0 ECONOMIC

5.1 Financial Performance

Revenue	RM 177.9 million (FPE 2019: RM211.4 million)
Profit After Tax	RM 8.7 million (FPE 2019: RM22.0 million)
Return On Equity	5.4 % (FPE 2019: 13.7%)
Net Assets Per Share	20.74 sen (FPE 2019: 21.54 sen)

The comparatives showed financial period results for fourteen months ended 30 June 2019.

5.0 ECONOMIC (CONT'D)

5.2 Procurement Practices

REDtone applies the standard operating procedures for sustainable and transparent procurement practices. It procures a wide range of products and services which are required for its business, especially for the MTNS. REDtone strives to ensure its pricing, quality, delivery, and continuity of the supply is provided in a sustainable manner.

Suppliers are selected and approved based on their pricing, reputation, and expertise. REDtone adheres to the highest standards in quality and delivery to safeguard REDtone and its stakeholders' interest.

5.3 Community Investment

REDtone is committed to support the Malaysian Government's initiative to provide communication access to the underserved areas, and advocate the use of ICT in building a knowledge-based economy through the participation in the Universal Service Provision projects such as "Time-3", "Pusat Internet Malaysia", and "Wifi".

REDtone has completed 237 sites (FPE2019: 83 sites) for Time-3 Extension project and maintained 57 sites for Pusat Internet Malaysia; and 201 Wifi sites in the state of Johor since FPE 2019.

Connecting the "unconnected communities" has helped to improve their economic potential, to empower them with access to new information, knowledge and business opportunities. It paves the way for them to achieve sustainable household income.

5.4 COVID-19 Pandemic

COVID-19 pandemic has impacted many businesses, its rippling effects differ greatly depending on types of industry, while businesses in general are facing sales, earnings and liquidity challenges. Businesses need to embrace and adapt quickly to change in order to survive and thrive in this unprecedented crisis. And the way forward is through technology.

To facilitate long term continuity and growth in the "new normal", businesses emphasize internet connectivity and technological tool-buying decisions. Improved connectivity and adopting new technological tools which facilitate continuity of operations and processes are the priority needs of businesses today. In response to that, REDtone offers multiple essential solutions and support that cater to their needs and budget. These include supporting tools for work-from-home and return-to-work solutions, such as virtual reality and virtual event solutions, Microsoft Office 365, Body Temperature Scanner, Cloud PBX, as well as Managed Security Services which aimed to curb cyber threats. Apart from that, REDtone also increases its marketing and sales engagement by securing leads and customers via various digital tools and platforms, facilitating the capturing of sales opportunities in a timely manner.

The Movement Control Order and its related guidelines ("MCO") measures include but not limited to social distancing resulting in restricting the number of customers in retail outlets. In order to better engage customers, REDtone promotes "flexiCraft Holodeck" whereby its virtual reality platform provides 720 degree panoramic view virtual walkthrough. Customers could tour virtually in order to visit retail outlets, such as automotive showrooms, hotels, restaurants, museum, art gallery. In addition to that, REDtone "flexicloud Immersive Virtual Event" provides businesses with an integrated platform in hosting and organizing various events such as product launches, roadshows, exhibitions, and conferences. As a result of immerse power of virtual reality, it negates large crowd gatherings.

REDtone also offers Body Temperature Scanner ("BTS") for businesses as temperature screening plays an important role in minimizing the spread of COVID-19. REDtone's BTS offers non-contact detection through infrared measurement, face detection integration and real-time warning for high temperature detection.

Going forward, the above mentioned newly introduced technological solutions facilitate businesses in adapting rapidly and in order to operate efficiently in a challenging post-COVID-19 era. As an integrated telecommunications and digital infrastructure service provider, REDtone is well-positioned to enable organizations to adopt digital innovation and transformation.

6.0 ENVIRONMENTAL

In line with global trends, REDtone works towards a digital environment to enrich its customers' experience and create long-term value add for REDtone's brand. REDtone adopts an integrated approach in order to achieve sustainability in the workplace.

6.1 Waste

Online portals and applications were developed to create multiple touchpoints for REDtone's customers, vendors, and employees. REDtone continues to expand its usage of digital assets to help reduce wastage, maximise productivity, increase efficiency, and enhance its brand experience. The electronic systems that have been introduced are the REDtone customer portal, e-Claims, e-Leave, e-Purchase Requisition and e-Pay Statement.

Such digital capabilities facilitate automation work processes to improve resource efficiency and accelerate its emphasis towards a paperless work environment. With the implementation of the online portal for REDtone's customers, there are savings of about 16,000 pieces of paper per month. REDtone also uses recycled paper for photocopying, while envelopes, letterheads, soft and hard cover files are reused and recycled.

6.2 Energy

REDtone uses LED lighting in its offices to save electricity consumption. Auto sensors are installed so that air-conditioning systems and office lighting are automatically switched off whenever the places are unoccupied. REDtone is committed towards energy savings as it reduces REDtone's operating expenses and it minimizes carbon footprint.

REDtone data centres are designed with sustainability in mind and it was incorporated with green technologies which offer energy efficient services, power usage optimisation and cooling capacity enhancement. As a result, it also contributes to savings for REDtone's customers and reduction in REDtone's carbon footprint.

6.3 Land Remediation

REDtone collaborated with technology partners such as Malaysia Digital Economy Corporation and University Teknologi Malaysia to promote digitalisation in farming. The use of Big Data Analytics is an effective means to address the issues relating to farming and ensure efficient resource planning. Based on REDtone's 12-month pilot exercise with the farmers in Kuching, Sarawak and Bukit Changgang in Kuala Langat, who use REDtone's Smart Agriculture and Smart Farming, pesticide application frequency reduced from three times to once per week, pesticide usage reduced by more than 40% per cycle, and crop damage rate reduced from 15% to 3%.

7.0 SOCIAL

REDtone embraces Corporate Social Responsibility ("CSR") to lay a solid foundation for its future generations through its commitment to various communities and sport-based initiatives.

7.1 Human Resources Diversity and Gender Equality

REDtone adheres to fair employment's policies as it provides fair employment opportunities for all the employees and job applicants. Fairness is promoted across all aspects of the Group's activities, including, but not limited to, recruitment, hiring, compensation, assignment, training, promotion, discipline, and discharge of personnel.

As at 30 June 2020, REDtone's male executives represented 71% of the total executives' workforce. The main reason for gender inequality is primarily due to the nature of its MTNS business, whereby the work involves site engineers climbing telecommunication towers to perform tower check, installation of microwave towers and provision of technical services such as deployment and integration.

Sustainability Statement

(Cont'd)

7.0 SOCIAL (CONT'D)

7.1 Human Resources Diversity and Gender Equality (Cont'd)

The summary of executives' headcount in REDtone is as follows:-

Executives' headcount (in %)		12 months ended June 2020	12 months ended June 2019	12 months ended June 2018
Gender headcount	Male executive	71	71	74
	Female executive	29	29	26

7.2 Occupational Safety and Health

REDtone continues to improve and fully integrate safety and health in all aspects of its operations. Various initiatives are taken to ensure best practices are adopted to maintain the safety and health of its staff.

REDtone's field engineers 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 a validation of their understanding and knowledge concerning workplace safety.

Details	**12 months ended June 2020**	**12 months ended June 2019**
Safety Induction Trainings (number of trainings)	11	3

In order to reduce REDtone's field employees' exposure to workplace hazards, REDtone ensures Personal Protective Equipment are available. In addition, REDtone's safety personnel are certified by the National Institute of Occupational Safety and Health and they keep abreast of the latest industry safety regulations, policies and procedures.

REDtone's site personnel are Hazard Identification, Risk Assessment and Risk Control ("HIRARC") trained. As an example, REDtone's site engineers who are posted to Ericsson Malaysia's sites are trained in HIRARC in order to comply with the latter's licensed sites requirement.

An annual risk assessment is conducted on safety-related facilities in all of REDtone's business and operation premises.

7.3 Labour Practices – Human Capital

i. Company Branding, Talent Management and Employees' Engagement

In a rapidly changing and competitive business environment, maintaining a high level of employees' engagement is increasingly important for the Group to attract and retain its talents.

Various communication and interactive activities are organized to increase the interaction among its employees. Every employee's voice is heard as far as practical, and aspirations are fulfilled by the company. The Group practises an open-door policy whereby open communication is encouraged, and the use of intranet portals provides a platform for employees' feedback and dissemination of REDtone's information.

REDtone's management and employees continue to maintain the "RED FORCE" team's collaborative efforts where employees' welfare events, festive celebrations and fellowship as well as hiking activities, treasure hunt, and family day events are organized to create a balanced work environment. Some of the events were deferred in view of the MCO and its related guidelines.

7.0 SOCIAL (CONT'D)

7.3 Labour Practices – Human Capital (Cont'd)

ii. Learning and Development

REDtone is passionate about continuous education and employees' development. An annual training target of 40 hours per year is set for each employee. REDtone Academy, its in-house trainer, provides training and development modules to assist them to reach their full potential.

The table below summarized the types of training which were attended by REDtone's employees:-

Type of Training	Number of participants		
	12 months ended June 2020	12 months ended June 2019	12 months ended June 2018
Finance & Accounting	7	20	17
Management	26	68	10
Product & Services	95	243	65
Safety & Health	51	79	274
Soft skills	571	750	377
Technical	144	293	353
Others	3	30	6
Total	897	1,483	1,102

7.4 Society

REDtone's CSR programmes create positive impacts for the local communities where it operates.

i. Community

The COVID-19 pandemic had taken a toll on some of the front liners' mental health, and led to depression, anxiety, insomnia and distress. REDtone collaborated with the Malaysia Association of Professional Trainers and Coaches for the "C-19 Heroes Support Group", an initiative to provide psychosocial support service for front liners during the challenging period. This programme was carried out during the MCO period.

REDtone continues to spread "love and kindness". One of the charitable initiatives involved a visit to "Rumah Kita" in Ampang, Kuala Lumpur in last financial year in conjunction with Hari Raya Aidilfitri celebration. "Rumah Kita" is a temporary transit home for single pregnant mothers, where housing, food and medical care are provided. New clothing for Hari Raya, delicious food, and duit raya were distributed to mothers and children.

Blood donation is a meaningful way of giving back to the community. In August 2019, REDtone organized a blood donation campaign and managed to collect a total of 78 pints of blood, of which 44 pints were donated by REDtone's employees and 34 pints from the members of the public.

In December 2019, REDtone's employees donated a sum of RM2,670 to purchase 106 pairs of school shoes for 106 children at the Yayasan Sunbeams Home, Ampang, Kuala Lumpur.

The wellbeing of REDtone's employees is of paramount importance because they are the 'backbone' of REDtone's business. REDtone emphasizes a safe and healthy work environment and REDtone's employees are given training to ensure work safety in office and at sites.

REDtone was named the winner in the "Social Empowerment" category at the Asia Responsible Enterprise Awards held in Taiwan in May 2019, and it was awarded "CSR Malaysia Awards 2019" in July 2019.

Sustainability Statement
(Cont'd)

7.0 SOCIAL (CONT'D)

7.4 Society (Cont'd)

ii. Sports

REDtone has been the title sponsor of the Kuala Lumpur International Junior Open Squash Championships, in collaboration with the Squash Racquets Association of Federal Territory for eight consecutive years since year 2012. Its concerted effort in facilitating youth development through squash, has helped to nurture several World Junior Champions and Asian Junior Champions for squash, which is the largest youth sports in Asia.

7.5 Product and Services Responsibility

Customers' Care and Experience

REDtone's vision is to serve and make a positive impact on the people and the corporate clients by delivering reliable digital infrastructure and services. "Flexibility", "Value" and "Dependability" are key objectives set out by REDtone to its customers, underscoring a firm commitment to delivering reliable services with professionalism.

7.6 Compliance

i. Information Security and Privacy

REDtone has successfully obtained the SIRIM ISO/IEC 27001:2013 certification on 9 January 2018 for the implementation of the Information Security Management System with a 3-year validity period.

REDtone continues to manage its operational risks as part of its value-add delivery to its stakeholders.

ii. IT Integrity and Cyber Security

In view of the increase in demand for cloud and mobile computing, REDtone adopts a more proactive approach in managing financial risks, corporates' reputation and customers' satisfaction.

As a result of the increase in cybersecurity issues, REDtone increased its efforts to drive awareness of risks among its enterprise customers. Improving the reliability of infrastructure networks is important to REDtone as customers rely on the stability of its services.

Engaging a holistic approach to cybersecurity, REDtone's solutions are incorporated with sufficient security and compliance features which enable REDtone in providing comprehensive solutions for its customers.

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 year ended 30 June 2020 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.

Datuk Seri Jamil Bin Salleh was appointed as the Independent Non-Executive Deputy Chairman of the Board on 19 August 2020. The Deputy Chairman will perform the duties of the Chairman during the Chairman's absence.

The profiles of the Chairman and Deputy Chairman are 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.

Corporate Governance Overview Statement
(Cont'd)

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

A. Board Responsibilities (Cont'd)

Chairman of the Board (Cont'd)

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 (2) 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.

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 meetings 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.

As at the date of this Annual Report, the Board comprises eight (8) Directors, of whom four (4) are Independent Non-Executive Directors, one (1) is an Executive Director and three (3) are Non-Independent Non-Executive Directors.

Datuk Seri Jamil Bin Salleh was appointed to the Board as an Independent Non-Executive Deputy Chairman on 19 August 2020 and Encik Zakaria Bin Abdul Hamid was appointed as a Non-Independent Non-Executive Director on 1 July 2020.

During the financial year ended 30 June 2020, there were a total of five (5) 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	3/5
Mr. Lau Bik Soon	5/5
Mr. Mathew Thomas A/L Vargis Mathews	5/5
Dato' Mohd Zaini Bin Hassan	5/5
Mr. Avinderjit Singh A/L Harjit Singh	5/5
Ms. Loh Paik Yoong	5/5
Datuk Seri Jamil Bin Salleh *(Appointed on 19 August 2020)*	Not Applicable
Encik Zakaria Bin Abdul Hamid *(Appointed on 1 July 2020)*	Not Applicable
Mr. Ho Meng *(Resigned on 24 October 2019)*	2/2
Dato' Ismail Bin Osman *(Demised on 28 May 2020)*	3/5

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.

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

A. Board Responsibilities (Cont'd)

Company Secretary (Cont'd)

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.

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.

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

B. Board Composition

Board Composition and Balance

The current Board consists of eight (8) members, of whom four (4) are Independent Non-Executive Directors, one (1) is an Executive Director and three (3) are Non-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 and also Practice 4.1 of the Code, which requires at least half of the Board to comprise independent directors.

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

Board Committees

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.

Nomination Committee

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 year ended 30 June 2020:

- 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 Seventeenth 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.

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

B. Board Composition (Cont'd)

Tenure of Independent Directors

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.

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.

The Nomination Committee had undertaken a review and assessment of the level of independence of the Independent Directors of the Board and based on the assessment, the Board is generally satisfied with the level of independence demonstrated by the Independent Directors, i.e. they are independent of management and free from any business dealing or other relationship with the Group that could reasonably be perceived to materially interfere with their exercise of unfettered and independent judgement.

Based on the assessment carried out, it has been determined that Mr Mathew Thomas A/L Vargis Mathews who has served the Board for more than twelve (12) years and Dato' Mohd Zaini Bin Hassan, who will have served the Board for a cumulative term of nine (9) years from 23 April 2021 onwards, remain objective and independent in expressing their views and in participating in deliberation and decision making of the Board and Board Committees.

The Board will recommend and seek the shareholders' approval to retain Dato' Mohd Zaini Bin Hassan and Mr. Mathew Thomas A/L Vargis Mathews as independent directors of the Company and the proposed retention of Mr. Mathew Thomas A/L Vargis Mathews as an independent director will be through a two-tier voting process at the forthcoming Annual General Meeting ("AGM").

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.

Corporate Governance Overview Statement

(Cont'd)

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

B. Board Composition (Cont'd)

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.

Subsequent to the financial year end, with the support of the Nomination Committee who had assessed the candidates' respective profiles, the Board had appointed two (2) new directors. Datuk Seri Jamil Bin Salleh was appointed to the Board as the Independent Non-Executive Deputy Chairman on 19 August 2020 and Encik Zakaria Bin Abdul Hamid was appointed as a Non-Independent Non-Executive Director on 1 July 2020. Datuk Seri Jamil Bin Salleh comes with an extensive experience and long service in the Public Service. Datuk Seri Jamil in 2016 served as the Secretary-General of the Ministry of Domestic Trade, Cooperatives and Consumerism before retiring from Public Services in 2019. Encik Zakaria Bin Abdul Hamid is very experienced in the field of environmental engineering and science which will significantly add to the Board's insight on the Group's innovation, research and development and sustainability efforts. For information on the profiles of Datuk Seri Jamil Bin Salleh and Encik Zakaria Bin Abdul Hamid, please refer to Board of Directors' profile in this Annual Report.

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.

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. Pursuant to Clause 117 of the Company's Constitution, one-third (1/3) of the Directors for the time being shall retire from office at every AGM of the Company and be eligible for re-election provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. New directors appointed by the Board shall hold office only until the conclusion of the AGM and shall be eligible for re-election at such AGM pursuant to Clause 116 of the Company's Constitution

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.

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

B. Board Composition (Cont'd)

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.

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.

During the financial year 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	• Digital Transformation for SME
Mr. Lau Bik Soon	• The Second Digital Revolution – The Three Axis Model • Vistage CEO Summit 2019 – Transforming & Transcending a) Winning The Innovation Race: Unlocking Asia Creative Powers b) CEO's Current & Future Global Challenges • How To Navigate The COVID-19 Crisis • Managing Business In Crisis • Your Future Strategy In The COVID-19 Crisis
Mr. Mathew Thomas A/L Vargis Mathews	• 2020 Tax Budget Seminar • IFRS: Property Plant and Equipment • IFRS: Key Accounting Policies and Other Reporting Considerations • IFRS: Financial Instruments
Dato' Mohd Zaini Bin Hassan	• MACC – Strategic Communication • Roundtable discussion on Kampung Baru Corporate Waqf (Endowment) Initiatives
Mr. Avinderjit Singh A/L Harjit Singh	• Corporate Liability Act – Defense Mechanism for Management and The Company
Ms. Loh Paik Yoong	• Tax & Business Summit 2019 • MACC Act

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.

Corporate Governance Overview Statement

(Cont'd)

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 year ended 30 June 2020 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	–	–	–	–	769,200	–	88,400	111,500
Dato' Ismail Bin Osman#	–	–	–	–	208,600	–	27,900	15,000
Mr. Ho Meng *	–	–	–	–	41,400	–	–	8,200
Non-Executive Directors								
YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail	–	360,000	–	5,300	–	–	–	–
Mr. Mathew Thomas A/L Vargis Mathews	–	72,000	–	14,900	–	–	–	–
Dato' Mohd Zaini Bin Hassan	–	50,400	–	16,700	–	–	–	–
Mr. Avinderjit Singh A/L Harjit Singh	–	42,000	–	9,500	–	–	–	–
Ms. Loh Paik Yoong	–	47,000	–	16,700	–	–	–	–

Notes:-

^ Other emoluments are inclusive of meeting allowance and employer's provident fund contributions
# Demised on 28 May 2020
* 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.

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.

Pursuant to Practice 8.2 of the MCCG, the terms of reference of the Audit Committee includes a policy on observation of a cooling-off period of at least two (2) years for a former key audit partner prior to their appointment as an Audit Committee member.

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 PLT ("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 2021.

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

Risk Management and Internal Control

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 year ended 30 June 2020, 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.

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.

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.

In line with Rule 8.31A of the ACE Market Listing Requirements of Bursa Securities, the poll voting at the forthcoming AGM will be conducted through a remote electronic voting system. An independent scrutineer will be appointed to validate the poll results and the decision of each resolution, including the votes for and against of the resolution, are provided at the meeting and the outcome is announced via Bursa Link on the same meeting day.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is satisfied that the Group has maintained high standards of corporate governance and strived to achieve the highest level of integrity and ethical standard, in all its business dealings.

Moving forward, the Board will continue to operationalise and improve the Company's corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

This Corporate Governance Overview Statement was approved by the Board of Directors on 29 September 2020.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable by the Company and the Group to the External Auditors for the financial year ended 30 June 2020 are as below:-

	Group RM	Company RM
Audit fees	355,000	107,000
Non-audit fees	35,000	–
	390,000	**107,000**

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 year or entered into since the end of the previous financial period.

Recurrent Related Party Transactions

At the Seventeenth Annual General Meeting ("AGM") of the Company held on 3 December 2019, 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 year ended 30 June 2020 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 year from 1 July 2019 to 30 June 2020 (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.	60
2.	REDtone Data Centre Sdn. Bhd. ("RDC")	BCorporation Group	Provision of data centre and cloud related services by RDC.	1,335
3.	REDtone Group	Berjaya Registration Services Sdn Bhd	Receipt of share registration services, printing and mailing services by the REDtone Group.	43
4.	REDtone Group	E.V.A Management Sdn Bhd	Receipt of human resource management services by the REDtone Group.	39

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 year from 1 July 2019 to 30 June 2020 (RM'000)
Berjaya Assets Berhad and/or its unlisted subsidiary company				
5.	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.	73
Other Related Parties				
6.	RDC	Berjaya Sompo Insurance Berhad	Provision of data centre and cloud related services by RDC.	181
7.	RDC	Qinetics Solutions Sdn Bhd and its unlisted subsidiary companies	Provision of data centre and cloud related services by RDC.	55
8.	RDC	Singer (Malaysia) Sdn Bhd	Provision of data centre and cloud related services by RDC.	42
9.	RTC	Best Media Network Sdn Bhd	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.*	15

* Rental agreement entered into between Best Media Network Sdn Bhd and RTC was terminated in December 2019.

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 year ended 30 June 2020.

OBJECTIVE

The Audit Committee ("the Committee") is established to effectively discharge their duties 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 pursuant to the Terms of Reference of the Audit Committee of REDtone International Berhad.

MEMBERSHIP AND MEETING ATTENDANCE

The present 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 Audit Committee held nine (9) meetings during the financial year ended 30 June 2020. The details of attendance of the Committee members are as follows:

Director	Designation	Attendance
Mr. Mathew Thomas A/L Vargis Mathews	Chairman	9/9
Dato' Mohd Zaini Bin Hassan	Member	9/9
Ms. Loh Paik Yoong	Member	9/9

TERMS OF REFERENCE

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

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

During the financial year ended 30 June 2020, the Committee had carried out the following activities which are in line with its duties and responsibilities as set out in its Terms of Reference:-

Financial Reporting

- Reviewed the unaudited quarterly results of the Group for the financial 2-month period from 1 May 2019 to 30 June 2019, the financial quarters ended 30 September 2019, 31 December 2019 and 31 March 2020 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 period ended 30 June 2019, 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.

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

External Audit

- Reviewed the Audit Plan of the Group for the financial year ended 30 June 2020 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 period ended 30 June 2019 covering updates on matters to highlight and significant outstanding matters from the audit field work;
- Reviewed the 2019 Report to the Audit Committee prepared by the External Auditors for the financial period ended 30 June 2019 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 period ended 30 June 2019 and recommending to the Board for approval; and
- Reviewed and assessed the performance, suitability and independence of the External Auditors including an annual evaluation and made recommendation to the Board on their re-appointment.

Internal Audit

- Reviewed and approved the annual internal audit plan for the financial year ended 30 June 2020 to ensure adequate scope of coverage over the activities of the Group; and
- Reviewed the Internal Audit Reports tabled during the financial year including the internal auditors' observations and recommendations, and the management's response to these recommendations. The scope of internal audit reviewed during the financial year ended 30 June 2020 were in respect of Account Receivables and Credit Management and Service-Level Agreement.

Whistleblowing

- Oversight of the whistleblowing function. The Company did not receive any whistleblowing report during the financial year ended 30 June 2020 and hence there were no action required from the Audit Committee.

Related Party Transactions

- Reviewed the related party transactions entered into by the Group on a quarterly basis and against the annual mandate approved by the shareholders;
- Reviewed the possibilities of conflict of interest 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 25 October 2019.

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;
- 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 2019 of the Company;and
- Reviewed the draft Anti-Bribery and Corruption Policy before recommending the same to the Board for consideration and approval.

Audit Committee Report
(Cont'd)

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 had evaluated and reviewed the internal audit function in terms of scope, competency, resources and independence. The Committee was also satisfied that the Internal Auditors performed their work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

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 year under review, the operational compliance reviews conducted were as follows:

- Accounts Receivable and Credit Management
- Service-Level Agreement

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 total cost incurred for the internal audit function of the Group for the financial year ended 30 June 2020 was RM30,916.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of REDtone International Berhad acknowledges the importance of good corporate governance practices and is committed to maintaining a sound risk management and internal control system to ensure shareholders' investment, customers' interest and the Group's assets are safeguarded.

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 system within the Group for the current financial year.

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 year 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. The Audit Committee is assisted by a Management-level Risk Management Committee ("RMC") (headed by the Group Chief Executive Officer and comprising of key management personnel from the respective divisions), to 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 year 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 adopts 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.

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

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 year ended 30 June 2020, 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 responsibility and delegation of authority to ensure proper identification of accountability and segregation of duties within the Management team;
- The Group Chief Executive Officer 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 reviews 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;

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 Executive Committee 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 Executive Committee 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 Account Receivables and Credit Management and Service-Level Agreement during the financial year ended 30 June 2020.

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.

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

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 year ended 30 June 2020. 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 year 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 year 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 29 September 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

In Respect of the Audited Financial Statements for the Financial Year Ended 30 June 2020

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 the Company at the end of the financial year.

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 year ended 30 June 2020 as set out on pages 56 to 136 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 year ended 30 June 2020.

Principal activities

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

Results

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	8,717	14,032
Profit attributable to:		
Owners of the parent	6,610	14,032
Non-controlling interests	2,107	-
	8,717	14,032

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

Dividend

The dividend paid by the Company since 30 June 2019 was as follows:

	RM'000
In respect of the financial period ended 30 June 2019	
Interim single-tier dividend of 1.0 sen per ordinary share, paid on 10 October 2019	7,492

On 19 August 2020, the Directors declared an interim dividend of 1.8 sen per ordinary share in respect of the financial year ended 30 June 2020 payable on 8 October 2020. The financial statements for the current financial year 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 2021.

Issue of shares

During the financial year, the total share capital of the Company increased from RM147,587,215 to RM149,812,475 as a result of the issuance of 23,973,953 new ordinary shares resulting from the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at the rate of ten ICULS into four ordinary shares in the Company.

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

Directors' report
(Cont'd)

Treasury shares

The Company did not buy back any of its own shares during the financial year ended 30 June 2020.

Of the total 782,453,885 (2019: 758,479,932) issued and fully paid-up ordinary shares as at the end of the financial year, 9,502,000 (2019: 9,502,000) ordinary shares are held as treasury shares by the Company amounting to RM5,653,000 (2019: RM5,653,000).

As at 30 June 2020, the issued ordinary share capital of the Company with voting rights was 772,951,885 (2019: 748,977,932 ordinary shares).

Options granted over unissued shares

During the financial year, 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 financial year and during the period from the end of the financial year to the date of this report are:

YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail
Lau Bik Soon
Mathew Thomas A/L Vargis Mathews
Dato' Mohd Zaini Bin Hassan
Avinderjit Singh A/L Harjit Singh
Loh Paik Yoong
Zakaria Bin Abdul Hamid (Appointed on 1 July 2020)
Datuk Seri Jamil Bin Salleh (Appointed on 19 August 2020)
Ho Meng (Resigned on 24 October 2019)
Dato' Ismail Bin Osman (Demised on 28 May 2020)

Directors of the Company's subsidiary companies

The names of the directors of the Company's subsidiary companies in office during the financial year and during the period from the end of the financial year to the date of this report excluding those who are already the directors of the Company, are:

Yau Chee Keong
Kenny Foo Jin Teck
Redza Imran Bin Abdul Rahim
Lai Kim Choy
Lu Chong Mui (Appointed on 24 September 2019)

Directors' benefits

Neither at the end of the financial year, nor at anytime during the financial year, 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 period, 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' benefits (contd.)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Executive directors' remuneration:		
- Salaries and bonuses	1,668	-
- Other emoluments	357	15
	2,025	15
Non-executive directors' remuneration:		
- Fees	583	571
- Other emoluments	64	63
	647	634
Total directors' remuneration	2,672	649

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 year ended 30 June 2020.

Directors' interests

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

	Number of ordinary shares			
	At 1 July 2019	**Acquired**	**Disposed**	**At 30 June 2020**
The Company				
Direct interests				
Lau Bik Soon	3,410,360	-	(600,000)	2,810,360
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 July 2019	**Acquired**	**Disposed**	**At 30 June 2020**
Ultimate holding company, Berjaya Corporation Berhad				
Direct interests				
Loh Paik Yoong	859	-	-	859

	Number of 2% ICULS 2016/2026			
	At 1 July 2019	**Acquired**	**Disposed**	**At 30 June 2020**
Ultimate holding company, Berjaya Corporation Berhad				
Direct interests				
Loh Paik Yoong	1,000	-	-	1,000

Directors' report
(Cont'd)

Directors' interests (contd.)

		Number of warrants		
	At 1 July 2019	**Acquired**	**Disposed**	**At 30 June 2020**
Ultimate holding company, Berjaya Corporation Berhad				
Direct interests				
Loh Paik Yoong	1,000	-	-	1,000

		Number of ordinary shares		
	At 1 July 2019	**Acquired**	**Disposed**	**At 30 June 2020**
Related company, Berjaya Land Berhad				
Direct interests				
Loh Paik Yoong	16,400	-	-	16,400

		Number of ordinary shares		
	At 1 July 2019	**Acquired**	**Disposed**	**At 30 June 2020**
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 year had no interest in shares and options over shares of the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income 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

(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.

Other statutory information (contd.)

(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 year 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 year.

(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 year 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 year 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 year 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

The details of the significant event during the financial year are disclosed in Note 35 to the financial statements.

Subsequent event

The details of the subsequent event are disclosed in Note 40 to the financial statements.

Directors' report
(Cont'd)

Auditors

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT	344	107
Other auditors	11	-
	355	107

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT during the financial year and since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 October 2020.

Loh Paik Yoong

Lau Bik Soon

STATEMENT BY DIRECTORS

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

We, Loh Paik Yoong 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 56 to 136 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 2020 and the financial performance and the cash flows of the Group and the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 October 2020.

Loh Paik Yoong

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 56 to 136 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 9 October 2020

Lau Hock Chye

Before me,

Khor Han Ghee (B476)
Commissioner for Oaths

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

		Group		Company	
	Note	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Revenue	3	177,906	211,391	-	-
Cost of sales		(101,606)	(126,207)	-	-
Gross profit		76,300	85,184	-	-
Other income	4	1,858	2,755	16,811	11,116
General and administrative expenses		(30,757)	(49,774)	(1,129)	(1,816)
Investment related (expense)/ income		-	(2,521)	-	1,749
Impairment loss on:					
- intangible asset	14	(24,670)	-	-	-
- investment in associated company	17	-	-	(1,142)	-
Finance costs	5	(1,513)	(1,100)	(104)	(194)
Share of result of an associated company		(1,527)	(937)	-	-
Profit before tax	6	19,691	33,607	14,436	10,855
Taxation	9	(10,974)	(11,617)	(404)	(2,080)
Profit for the financial year/period		8,717	21,990	14,032	8,775
Other comprehensive income:					
Item that will not be reclassified subsequently to profit or loss					
Net changes in fair value of investments at fair value through other comprehensive income ("FVTOCI")	27(c)	(150)	-	(150)	-
Total comprehensive income for the financial year/period		8,567	21,990	13,882	8,775
Profit attributable to:					
- Owners of the parent		6,610	22,495	14,032	8,775
- Non-controlling interests		2,107	(505)	-	-
		8,717	21,990	14,032	8,775
Total comprehensive income attributable to:					
- Owners of the parent		6,460	22,495	13,882	8,775
- Non-controlling interests		2,107	(505)	-	-
		8,567	21,990	13,882	8,775
Earnings per share attributable to owners of the parent:					
- Basic/diluted (sen)	10	0.86	2.91		

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

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2020

		Group		Company	
		30.6.2020	30.6.2019	30.6.2020	30.6.2019
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Goodwill	11	423	423	-	-
Property, plant and equipment	12	12,073	14,330	-	-
Right-of-use assets	29	11,447	-	-	-
Investment properties	13	600	1,200	-	-
Intangible assets	14	63	24,783	-	-
Development costs	15	98	177	-	-
Investments in subsidiary companies	16	-	-	9,557	9,557
Investments in associated companies	17	-	1,527	1,322	2,464
Other investments	31	8,481	-	8,481	-
Deferred tax assets	18	2,524	3,423	-	-
		35,709	45,863	19,360	12,021
Current assets					
Inventories	19	547	349	-	-
Trade and other receivables	20	62,054	35,016	79,490	79,374
Contract assets	21	52,298	77,153	-	-
Tax recoverable		29	6,442	-	-
Short term investments	22	58,605	15,114	-	-
Cash and bank balances	23	44,039	51,760	110	14
		217,572	185,834	79,600	79,388
Total assets		253,281	231,697	98,960	91,409

Statements of financial position

As at 30 June 2020

(Cont'd)

		Group		Company	
	Note	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	24	149,813	147,587	149,813	147,587
Equity component of irredeemable convertible unsecured loan stocks ("ICULS")	25	-	2,226	-	2,226
Treasury shares	26	(5,653)	(5,653)	(5,653)	(5,653)
Reserves	27	16,130	17,162	(46,794)	(53,184)
		160,290	161,322	97,366	90,976
Non-controlling interests		1,417	(690)	-	-
Total equity		161,707	160,632	97,366	90,976
Non-current liabilities					
Loans and borrowings	28	1,417	1,543	-	-
Lease liabilities	29	5,393	-	-	-
		6,810	1,543	-	-
Current liabilities					
Trade and other payables	30	66,054	62,898	1,494	187
Contract liabilities	21	11,769	6,261	-	-
Loans and borrowings	28	88	117	-	-
Lease liabilities	29	5,770	-	-	-
Provision for taxation		1,083	146	100	146
Liability component of irredeemable convertible unsecured loan stocks	25	-	100	-	100
		84,764	69,522	1,594	433
Total liabilities		91,574	71,065	1,594	433
Total equity and liabilities		253,281	231,697	98,960	91,409

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	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))	Distributable Retained profits 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
Transactions with owners									
- Issuance of shares pursuant to conversion of ICULS	63	(63)	-	-	-	-	-	-	-
- Arising from disposal of a subsidiary company	-	-	-	-	-	-	-	(3,905)	(3,905)
Total transactions 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

Statements of changes in equity
For the financial year ended 30 June 2020
(Cont'd)

	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))	FVTOCI reserve RM'000 (Note 27(c))	Distributable Retained profits RM'000 (Note 27)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 July 2019	147,587	2,226	(5,653)	(663)	641	-	17,184	161,322	(690)	160,632
Total comprehensive income	-	-	-	-	-	(150)	6,610	6,460	2,107	8,567
Transactions with owners										
- Dividend paid (Note 39)	-	-	-	-	-	-	(7,492)	(7,492)	-	(7,492)
- Issuance of shares pursuant to conversion of ICULS	2,226	(2,226)	-	-	-	-	-	-	-	-
Total transactions with owners	2,226	(2,226)	-	-	-	-	(7,492)	(7,492)	-	(7,492)
At 30 June 2020	149,813	-	(5,653)	(663)	641	(150)	16,302	160,290	1,417	161,707

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

Statements of changes in equity
For the financial year ended 30 June 2020
(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 2018	147,524	2,289	(5,653)	(61,959)	82,201
Total comprehensive income	-	-	-	8,775	8,775
Transactions with owners					
- Issuance of shares pursuant to conversion of ICULS, representing total transactions with owners	63	(63)	-	-	-
At 30 June 2019	147,587	2,226	(5,653)	(53,184)	90,976

	Share capital RM'000 (Note 24)	ICULS - equity component RM'000 (Note 25)	Treasury shares RM'000 (Note 26)	FVTOCI reserve RM'000 (Note 27(c))	Accumulated losses RM'000 (Note 27)	Total equity RM'000
Company						
At 1 July 2019	147,587	2,226	(5,653)	-	(53,184)	90,976
Total comprehensive income	-	-	-	(150)	14,032	13,882
Transactions with owners						
- Dividend paid (Note 39)	-	-	-	-	(7,492)	(7,492)
- Issuance of shares pursuant to conversion of ICULS	2,226	(2,226)	-	-	-	-
At 30 June 2020	149,813	-	(5,653)	(150)	(46,644)	97,366

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

STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2020

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Cash flows from operating activities				
Receipts from customers	175,202	167,457	-	-
Payments of operating expenses	(113,539)	(155,533)	-	-
Tax refund	6,142	22	-	21
Payments of taxes	(8,867)	(11,404)	(450)	(2,070)
Payment of short term leases and leases of low-value assets	(1,727)	-	-	-
Other (payments)/receipts	(18)	(288)	7,785	2,250
Net cash generated from operating activities	57,193	254	7,335	201
Cash flows from investing activities				
Sale of property, plant and equipment	1	-	-	-
Net cash out flow on loss of control in a subsidiary company (Note 16)	-	(387)	-	-
(Increase)/decrease in deposits and short term investments	(32,984)	3,748	-	-
Acquisition of quoted securities	(7,273)	-	(7,273)	-
Acquisition of property, plant and equipment (Note 12)	(509)	(236)	-	-
Interest received	1,399	2,352	1	-
Dividend received	29	-	7,629	-
Net cash (used in)/generated from investing activities	(39,337)	5,477	357	-
Cash flows from financing activities				
Payment of lease liabilities	(5,912)	(70)	-	-
Drawdown of bank borrowings and other loans	6,000	-	-	-
Repayment of bank borrowings and other loans	(6,077)	(5,077)	-	-
Dividend paid	(7,492)	-	(7,492)	-
Lease interest paid	(868)	(6)	-	-
Other interest paid	(645)	(1,094)	(104)	(194)
Net cash used in financing activities	(14,994)	(6,247)	(7,596)	(194)

Statements of cash flows
For the financial year ended 30 June 2020
(Cont'd)

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Net change in cash and cash equivalents	2,862	(516)	96	7
Cash and cash equivalents at beginning of financial year/period	2,708	3,224	14	7
Cash and cash equivalents at end of financial year/period (Note 23)	5,570	2,708	110	14

(a) Reconciliation of liabilities arising from financing activities:

	Group		
	Lease liabilities and finance leases RM'000	Bank and other borrowings RM'000	Total RM'000
At 30 June 2020			
At beginning of financial year	78	1,582	1,660
Adoption of MFRS 16	12,860	-	12,860
At beginning of financial year (restated)	12,938	1,582	14,520
Additional of lease liabilities	4,137	-	4,137
Drawdown	-	6,000	6,000
Repayment	(5,912)	(6,077)	(11,989)
Interest paid	(868)	(645)	(1,513)
Other changes	868	645	1,513
At end of financial year	11,163	1,505	12,668
At 30 June 2019			
At beginning of financial period	148	6,659	6,807
Repayment	(70)	(5,077)	(5,147)
Interest paid	(284)	(816)	(1,100)
Other changes	284	816	1,100
At end of financial period	78	1,582	1,660

NOTES TO THE FINANCIAL STATEMENTS
30 June 2020

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 subsidiary companies. The principal activities of the subsidiary companies are described in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

In the previous financial period, the financial year end of the Group and of the Company was changed from 30 April to 30 June to be coterminous with the ultimate holding company's financial year end. Accordingly, comparative amounts for the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related explanatory notes are not entirely comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 9 October 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia (“RM”) and all values/units are rounded to the nearest thousand (“RM’000”)/(‘000) except when otherwise indicated.

2.2 Changes in accounting policies

On 1 July 2019, the Group and the Company adopted the following new MFRSs, Amendments to MFRS, Annual Improvements to MFRSs and IC Interpretation that have been issued by the Malaysian Accounting Standards Board ("MASB"):

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 9: Prepayments Features with Negative Compensation	1 January 2019
MFRS 16: Leases	1 January 2019

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

	Effective for annual periods beginning on or after
Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019

The adoption of the above standards and interpretation did not have any significant financial impact to the Group and the Company, except as disclosed below:

<u>MFRS 16 Leases</u>

MFRS 16 supersedes MFRS 117 Leases, IC interpretation 4: Determining whether an Arrangement contains a Lease, IC interpretation 115: Operating Leases-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.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives are not restated.

Leases previously accounted for as finance lease

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the ROU assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117) and these finance leases which were previously presented as part of property, plant and equipment are now presented within ROU assets. Accordingly, the finance lease liabilities have also been reclassified to lease liabilities. The requirements of MFRS 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating lease

At the date of initial application, for leases that were previously classified as operating lease under MFRS 117 were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rates as at that date. The incremental borrowing rate applied was 6.99%. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Notes to the Financial Statements
30 June 2020
(Cont'd)

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 16 Leases (contd.)

The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- Applied the lease of low-value assets exemption to lease contracts for which the underlying asset is of low value (below RM20,000 or USD5,000);
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease;
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The effect of adopting MFRS 16 on the statements of financial position of the Group as at 1 July 2019 is as follows:

	Group RM'000 Increase/(decrease)
Assets	
Non-current assets	
Right-of-use assets	13,346
Property, plant and equipment	(493)
Liabilities	
Current liabilities	
Lease liabilities	7,027
Loan and borrowings	(34)
Non-current liabilities	
Lease liabilities	5,911
Loan and borrowings	(44)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Group RM'000
Operating lease commitments as at 30 June 2019	(84)
Add: lease payments for existing contracts assessed to contain a lease under MFRS 16	(13,941)
Add: lease liabilities previously classified as finance leases	(78)
Gross lease liabilities as at 1 July 2019	(14,103)
Discounted using weighted average incremental borrowing rate of 6.99%	1,165
Lease liabilities as at 1 July 2019	(12,938)

2. Significant accounting policies (contd.)

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 3: Definition of a Business	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 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions	1 June 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022
Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - cost of fulfiling a contract	1 January 2022
Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non Current	1 January 2023
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.

2.4 Summary of significant accounting policies

2.4.1 Subsidiary companies and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies, which are prepared up to the end of the same financial year.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.1 Subsidiary companies and basis of consolidation (contd.)

Subsidiary companies are those investees controlled by the Group. The Group controls an investee if and only if the Group has all the following:

i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
ii) exposure, or rights, to variable returns from its investment with the investee; and
iii) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
ii) potential voting rights held by the Group, other vote holders or other parties;
iii) rights arising from other contractual arrangements; and
iv) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until that date such control ceases.

The cost of acquisition of a subsidiary company depends on whether it is a business combination, in accordance to the specifications in MFRS 3, or not. If it is not a business combination, the cost of acquisition consists of the consideration transferred ("CT"). The CT is the sum of fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree on the date of acquisition and any contingent consideration. For an acquisition that is not a business combination, the acquisition-related costs can be capitalised as part of the cost of acquisition. If it is a business combination, the cost of acquisition (or specifically, the cost of business combination) consists of CT, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree. For an acquisition that is a business combination, the acquisition-related costs are recognised in profit or loss as incurred.

If the business combination is achieved in stages, any previously held equity interests in the acquiree are re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss.

Any excess of the cost of business combination, as the case may be, over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. For business combinations, provisions are made for the acquiree's contingent liabilities existing at the date of acquisition as the Group deems that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

Any excess in the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed over the cost of business combination is recognised immediately in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.1 Subsidiary companies and basis of consolidation (contd.)

The contingent consideration to be transferred by the acquirer will be recognised at fair value at the date of acquisition. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the date of acquisition) about the facts and circumstances that existed at the date of acquisition. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with MFRS 9: Financial Instruments or MFRS 137: Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognised in profit or loss.

Uniform accounting policies are adopted in the consolidated financial statements for similar transactions and other events in similar circumstances. In the preparation of the consolidated financial statements, the financial statements of all subsidiary companies are adjusted for the material effects of dissimilar accounting policies. Intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation except for unrealised losses, which are not eliminated when there are indications of impairment.

Profit or loss and each component of other comprehensive income are attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the equity in subsidiary companies not attributable, direct or indirectly, to the Group which consist of the amount of those non-controlling interests at the date of original combination, and the non-controlling interests' share of changes in the equity since the date of the combination.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Equity instruments and equity components of hybrid financial instruments issued by subsidiary companies but held by the Group will be eliminated on consolidation. Any difference between the cost of investment and the value of the equity instruments or the equity components of hybrid financial instruments will be recognised immediately in equity upon elimination.

When there is share buyback by a subsidiary company, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the subsidiary company. Any differences between the consideration of the share buyback over the Group's revised interest in the net fair value of the identifiable assets acquired and liabilities assumed is recognised directly in equity attributable to owners of the parent.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.1 Subsidiary companies and basis of consolidation (contd.)

Changes in the Group's ownership interest in a subsidiary company that do not result in the Group losing control over the subsidiary company are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

When the Group loses control of a subsidiary company, a gain or loss calculated as the difference between:

i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interest at the date when control is lost;

is recognised in profit or loss. The subsidiary company's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. Any investment retained is recognised at fair value.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses.

2.4.2 Associated companies

Associated companies are entities in which the Group has significant influence. Significant influence is the power through board representations to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in unquoted associated companies are accounted for in the consolidated financial statements using the equity method of accounting based on the latest audited financial statements and supplemented by management financial statements of the associated companies made up to the Group's financial year end.

Uniform accounting policies are adopted for like transactions and events in similar circumstances upon applying equity method of accounting.

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

On acquisition of an investment in associated company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets acquired and liabilities assumed of the investee is recognised as goodwill and included in the carrying amount of the investment and is not amortised.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.2 Associated companies (contd.)

Any excess of the Group's share of net fair value of the associated company's identifiable assets acquired and liabilities assumed over the cost of investment is included as income in the determination of the Group's share of associated company's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in an associated company is recognised at cost on initial recognition, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associated company after the date of acquisition, less impairment losses. The Group's share of comprehensive income of associated companies acquired or disposed of during the financial year, is included in the consolidated profit or loss from the date that significant influence effectively commences or until the date that significant influence effectively ceases, as appropriate.

Unrealised gains and losses on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies.

When the Group's share of losses equals or exceeds its interest in an equity accounted associated company, including any long term interest, that, in substance, form part of the Group's net investment in the associated company, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has a legal and constructive obligations or has made payment on behalf of the associated company.

When there is share buyback by an associated company, the accretion of the Group's interest is recognised as a deemed acquisition of additional equity interest in the associated company. Any reduction of the Group's pre-acquisition reserves arising from the share buyback (i.e. Goodwill) is included in the carrying amount of the investment and is not amortised. Any increase of the Group's pre-acquisition reserves arising from the share buyback (i.e. Negative Goodwill) is included as income in the determination of the Group's share of associated company's results in the period of share buybacks.

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

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses.

2.4.3 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. Subsequent to recognition, when property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Notes to the Financial Statements
30 June 2020
(Cont'd)

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.3 Property, plant and equipment and depreciation (contd.)

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

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 value, 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. Any gains or losses on the derecognition of the asset are included in profit or loss in the year the asset is derecognised.

2.4.4 Investment properties

Investment properties are properties which are held either to earn rentals or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent professional valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

When an item of investment property carried at fair value is transferred to property, plant and equipment following a change in its use, the property's deemed cost for subsequent accounting in accordance with MFRS 116: Property, Plant and Equipment shall be its fair value at the date of change in use.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.4 Investment properties (contd.)

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income. However, if such fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of the investment property, any surplus previously recorded in other comprehensive income is transferred to retained earnings.

When an item of property inventory or property development is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to the transfer and its fair value is recognised in profit or loss.

2.4.5 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.

2.4.6 Intangible assets

(1) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(2) 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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.6 Intangible assets (contd.)

(2) Research and development expenditure (contd.)

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.

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.

(3) Telecommunications licences with allocated spectrum

The Group's telecommunication licences with allocated spectrum were acquired as part of a business combination. The fair value of telecommunication licences with allocated spectrum as at the date of business combination is deemed as its cost. Following the initial recognition, telecommunication licences with allocated spectrum are carried at cost less any accumulated impairment losses. The telecommunication licences with allocated spectrum were considered to have indefinite economic useful lives as there was a presumption of renewal at negligible costs, and were not amortised but tested for impairment, annually or more frequently when indicators of impairment were identified. The useful lives of telecommunication licences are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2.4.7 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax 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, intangible assets that have indefinite useful lives and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when there is any indication of impairment.

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 cash generating unit ("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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.7 Impairment of non-financial assets (contd.)

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 ("VIU"). In assessing VIU, 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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the fair value reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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.

2.4.8 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 36.

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:

(1) In the principal market for the asset or liability; or
(2) 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.

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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.8 Fair value measurement (contd.)

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 reassessing 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.

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.

2.4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes party to the contractual provisions of the instruments.

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 commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on:

(a) the financial asset's contractual cash flow characteristics; and
(b) the Group's business model for managing them.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.9 Financial instruments (contd.)

(1) Financial assets (contd.)

Initial recognition and measurement (contd.)

Classification of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model. Such changes are expected to be very infrequent.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

Subsequent measurement

Subsequent measurement of financial assets depends on its classification. The classification of financial assets are described below:

(a) Amortised cost

This category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Subsequent to initial recognition, the amortised cost of a financial asset is the amount at initial recognition minus principal repayments plus cumulative amortisation using the effective interest method and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Fair value through other comprehensive income

<u>Debt instruments</u>

This category comprises investments in debt instrument, which are held within a business model whose objective is collecting contractual cash flows and selling the debt investments, and its contractual terms give rise to cash flows on specified dates that are SPPI on the principal amount outstanding. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses or reversals are recognised in profit or loss. Fair value changes are recognised in other comprehensive income.

On derecognition of these financial assets, the fair value changes accumulated in other comprehensive income are recycled to profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.9 Financial instruments (contd.)

(1) Financial assets (contd.)

Subsequent measurement (contd.)

(b) Fair value through other comprehensive income (contd.)

Equity instruments

This category comprises investments in equity instrument that are not held for trading, and where the Group irrevocably elects to account for subsequent changes in the investments' fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividends clearly represent part recovery of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

On derecognition of these financial assets, fair value changes and other net gains and losses accumulated in other comprehensive income are not recycled to profit or loss.

(c) Fair value through profit or loss

All financial assets not classified as amortised cost or fair value through other comprehensive income as described above are classified as fair value through profit or loss. This includes derivative financial assets (except for derivatives that are designated as effective hedging instruments). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be classified as financial asset at amortised cost or at fair value through other comprehensive income, as a financial asset at fair value through profit or loss, if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss. Other net gains or losses, including any interest or dividend income, are also recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

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:

(i) The contractual rights to receive cash flows from the asset have expired; or
(ii) The Group has transferred its rights to receive the cash flows from the assets and has transferred substantially all risks and rewards related to the asset; or
(iii) The Group has transferred its rights to receive the cash flows from the assets and has not retained control of the assets; or
(iv) The Group has assumed an obligation to pay the cash flows from the asset in full without material delay to a third party under a 'pass-through' arrangement.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.9 Financial instruments (contd.)

(1) Financial assets (contd.)

Derecognition (contd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, but is not able to derecognise the asset, then the Group has to continue recognising the transferred asset to the extent of its continuing involvement and to 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 has retained.

(2) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the entity becomes party to the contractual provisions of the instruments.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss.

The Group initially measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Subsequent measurement

The Group measures the financial liabilities depending on their classification, as described below:

(a) Amortised cost

Financial liabilities are measured at amortised cost using the effective interest method, which allocates interest expenses at a constant rate over the term of the financial liabilities. The effective interest rate is calculated at initial recognition and is the rate that exactly discounts the estimated future cash flows (including all fees and points paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability to the amortised cost of a financial liability.

Subsequent to initial recognition, the amortised cost of a financial liability is the amount at initial recognition minus repayments, plus the cumulative amortisation using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.9 Financial instruments (contd.)

(2) Financial liabilities (contd.)

Subsequent measurement (contd.)

The Group measures the financial liabilities depending on their classification, as described below: (contd.)

(b) Fair value through profit or loss

The fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated as fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The changes in fair value of these financial liabilities are recognised in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability expires, or is discharged or cancelled. 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 a replacement 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.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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, or to realise the assets and settle the liabilities simultaneously.

2.4.10 Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables.

ECLs are 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 effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are part of the contractual terms.

ECLs are recognised in two stages. For credit exposures where there have 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 where there have 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).

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.10 Impairment of financial assets (contd.)

For trade receivables and contract assets, the Group applies the 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 provision matrices that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group recognises impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in profit or loss and accumulated in the fair value reserve.

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.

2.4.11 Contract assets and liabilities

A contract asset is the right of the Group to consideration in exchange for goods or services that it has transferred to the customer when that right is conditional upon future performance but not through the passage of time. If the Group has performed its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised and presented net of any amounts that has been recognised as receivables. Contract asset is the excess of cumulative revenue earned or recognised in profit or loss over the billings to date to the customer. Contract assets are subject to impairment assessment in accordance of MFRS 9 Financial Instruments.

A contract liability is the obligation of the Group to transfer goods and services to a customer for which it has received consideration or an amount of consideration is due from the customer. If a customer pays consideration, such as advance payment and down payments, or the Group has a right to an amount of consideration that is unconditional before it 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). Contract liabilities are recognised as revenue when the Group performs its obligation under the contract. Contract liability is the excess of the billings to date to the customer over the cumulative revenue earned or recognised in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.12 Cash and cash equivalents

Cash comprises cash in hand, at bank and short term deposits with a maturity of three months or less. Cash equivalents, are short term, highly liquid investments that are readily convertible to known amounts of cash and that subject to insignificant risk of changes in value, against which the bank overdrafts, if any, are deducted.

2.4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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 a finance cost.

2.4.14 Leases

A lease, as defined in MFRS 16, is a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses at inception of a contract whether it is a lease in accordance to MFRS 16.

(i) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimated cost to dismantle/restore the underlying asset, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. In the case where the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset implies that the lessee will exercise a purchase option, depreciation is calculated using the estimated useful life of the underlying asset. The depreciation period are as follows:

Leasehold office lots	50 years
Warehouse and sites	3 years
Equipment and machinery	3 years
Motor vehicles	5 years
Computer server	10 years

2. Significant accounting policies (contd.)

2.4 **Summary of significant accounting policies (contd.)**

2.4.14 Leases (contd.)

(i) Group as a lessee (contd.)

Right-of-use assets (contd.)

'Lease term' refers to the non-cancellable period of a lease plus: (i) the period covered by an option to extend the lease if the Group is reasonably certain to exercise; and (ii) the period covered by an option to terminate if the Group is reasonably certain not to exercise.

If the lease transfers the ownership of the underlying asset to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, depreciation is calculated using the estimated useful life of the underlying asset.

The right-of-use assets are also subject to impairment as detailed in Note 2.4.7 to the financial statements (Impairment of non-financial assets).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group, and payments of penalties for termination (if the lease term reflects the Group exercising the option to terminate the lease).

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (of the lessee) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a reassessment (e.g. change in the lease term) or lease modification (e.g. change in scope of lease).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.14 Leases (contd.)

(ii) Group as a lessor

Operating lease

Leases in which the Group retains substantially all the risks and rewards incidental to ownership of the underlying asset are classified as operating leases. Lease income from operating lease is accounted for on a straight-line basis or another systematic basis if another systematic basis is more representative of the pattern of benefit received. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The underlying asset of an operating lease is included in the statements of financial position based on the nature of the asset.

Contingent rents are recognised as revenue in the period in which they are earned.

2.4.15 Irredeemable convertible unsecured loan stocks ("ICULS")

ICULS are regarded as compound instruments which consist of an equity component and a liability component.

When the ICULS, which were previously acquired and held by the Group, are reissued at values which are different from the nominal value of the ICULS, the differences would be taken to profit or loss if the ICULS are classified as a liability instrument or to equity if the ICULS are classified as an equity instrument.

2.4.16 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, reissuance or cancellation of treasury shares. Consideration paid or received is recognised directly in equity.

2.4.17 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 expenditure 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 incurred in connection with the borrowing of funds.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.18 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.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group except for contingent liabilities assumed in a business combination of which the fair value can be reliably measured.

2.4.19 Current and non-current classification

The Group presents assets and liabilities in the statements of financial position based on current and non-current classification.

An asset is classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within 12 months after the reporting period; or
(iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within 12 months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

2.4.20 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.)

2.4.20 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 service tax 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.)

2.4.20 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.

The recognition of other classes of revenue that are not within the scope of MFRS 15 are set out below:

(1) Dividend income

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

(2) Interest income

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

(3) Rental income

Rental income is recognised on an accrual basis.

2.4.21 Foreign currencies

(1) 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 (i.e. functional currency). The financial statements are presented in RM, which is also the Company's functional currency.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.21 Foreign currencies (contd.)

(2) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (i.e. 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 translated 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 at historical cost in a foreign currency are translated using the exchange rate at the date of initial transaction.

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 operations. 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 operations are recognised in profit or loss of the Company's 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.

(3) 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 statement of financial position presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses for each statement of profit or loss and statement of other comprehensive income are translated at average exchange rates for the reporting period, which approximate the exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign exchange reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets or 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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.22 Employee benefits

(1) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(2) 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 employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

2.4.23 Taxes

(1) 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.

(2) 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 taxable 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 subsidiary companies and associated companies, 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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.23 Taxes (contd.)

(2) Deferred tax (contd.)

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 subsidiary companies and associated companies, 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 reassessed 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.

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. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

2.4.23 Taxes (contd.)

(3) Indirect taxes

Indirect taxes include Sales and Service Tax, and Goods and Services Tax (also known as Value Added Tax).

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

Indirect taxes incurred on the purchase of assets or services which cannot be recovered from the respective tax authorities are recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

2.4.24 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 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.5 Significant accounting estimates and judgements

(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.

2. Significant accounting policies (contd.)

2.5 Significant accounting estimates and judgements (contd.)

(a) Critical judgements made in applying accounting policies (contd.)

Classification between investment properties and owner occupied properties (contd.)

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.

(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.

2. Significant accounting policies (contd.)

2.5 Significant accounting estimates and judgements (contd.)

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

(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 2020. 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.

(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 2.4.20.

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 losses 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 2020
(Cont'd)

3. Revenue

	Group	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Revenue from contract with customers	177,906	211,391

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

	Group	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
<u>**Type of goods or services**</u>		
Telecommunication services	50,222	64,565
Managed Telecommunications Network Services	96,642	113,148
Revenue from construction of telecommunication infrastructures	47,955	79,286
Revenue from maintenance and support services	48,687	33,862
Non-operating spectrum related income	28,024	31,028
Other telecommunications related services	3,018	2,650
	177,906	211,391
<u>**Timing of revenue recognition**</u>		
At a point in time	13,438	16,075
Over time	164,468	195,316
	177,906	211,391

4. Other income

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Interest income	1,636	2,441	2,682	3,351
Others:	222	314	14,129	7,765
- Miscellaneous income	32	17	-	-
- Office rental income	61	92	-	-
- Dividend income	29	-	14,029	7,600
- Fair value gain on an investment property	-	40	-	-
- Gain on ICULS conversion	100	165	100	165
	1,858	2,755	16,811	11,116

5. Finance costs

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Interest expense on:				
- Bank overdrafts	47	-	-	-
- Leases (Note 29)	868	-	-	-
- Finance leases	-	278	-	-
- ICULS	104	194	104	194
- Term loans	80	293	-	-
- Bank guarantees	333	235	-	-
Others	81	100	-	-
	1,513	1,100	104	194

6. Profit before tax

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

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Amortisation of development costs and intangible assets (Note 14 and Note 15)	129	727	-	-
Audit fee:				
- statutory audits	355	398	107	105
- other services	35	128	-	45
Depreciation of property, plant and equipment (Note 12)	2,829	4,650	-	-
Depreciation of right-of-use assets (Note 29)	6,036	-	-	-
Directors' remuneration (Note 8)	2,672	3,131	649	751
Employee benefits expense (Note 7)	22,831	34,275	661	762
Loss/(gain) on deconsolidation of a subsidiary company (Note 16)	-	2,521	-	(1,749)
Loss/(gain) on foreign exchange:				
- realised	4	(73)	-	-
- unrealised	(4)	(12)	-	-
Allowance for/(write back of) expected credit loss for:				
- other receivables (Note 20)	21	10	-	-
- trade receivables (Note 20)	337	(146)	-	-
Provision for Universal Service Fund Contribution (Note 30(b))	1,314	1,224	-	-
Net provision of annual leave	54	82	-	-
Inventories written back	(5)	(7)	-	-
Property, plant and equipment written off (Note 12)	43	538	-	-
Expenses relating to leases:				
- short-term leases	1,521	-	-	-
- leases of low-value assets	206	-	-	-
Rental of computers	-	566	-	-
Rental of offices	-	488	-	-
Rental of equipment	-	3,481	-	-
Rental of sites	-	3,740	-	-

Notes to the Financial Statements
30 June 2020
(Cont'd)

7. Employee benefits expense

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Salaries, wages, bonuses and allowances	18,362	27,951	639	741
Defined contribution plan	2,143	3,331	7	5
Social security contribution	224	286	4	5
Other benefits	2,102	2,707	11	11
	22,831	34,275	661	762

8. Directors' remuneration

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Executive directors' remuneration:				
- Salaries and bonuses	1,668	1,988	-	-
- Other emoluments	357	418	15	26
	2,025	2,406	15	26
Non-executive directors' remuneration:				
- Fees	583	657	571	657
- Other emoluments	64	68	63	68
	647	725	634	725
Total directors' remuneration	2,672	3,131	649	751

9. Taxation

The major components of income tax expense for the financial year ended 30 June 2020 and financial period ended 30 June 2019 are:

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Current income tax:				
- Malaysian income tax	8,275	7,893	414	512
- Under/(over) provision in prior years	1,800	2,077	(10)	1,568
	10,075	9,970	404	2,080
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	1,596	1,884	-	-
- Over provision in prior years	(697)	(237)	-	-
	899	1,647	-	-
Total income tax expense	10,974	11,617	404	2,080

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 are as follows:

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	**1.5.2018 to 30.6.2019 RM'000**	**1.7.2019 to 30.6.2020 RM'000**	**1.5.2018 to 30.6.2019 RM'000**
Profit before tax	19,691	33,607	14,436	10,855
Taxation at Malaysian statutory tax rate of 24%	4,726	8,066	3,465	2,605
Different tax rates in other countries	20	(6)	-	-
Income not subject to tax	(128)	(2,474)	(3,360)	(2,244)
Expenses not deductible	6,804	4,253	333	191
Deferred tax assets not recognised during the financial year/period	311	1,614	-	-
Recognition of previously unrecognised deferred tax assets during the financial year/period	(1,862)	(1,676)	(24)	(40)
Under/(over) provision of income tax in prior years	1,800	2,077	(10)	1,568
Over provision of deferred tax in prior years	(697)	(237)	-	-
Income tax expense for the financial year/period	10,974	11,617	404	2,080

Current income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year/period.

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 financial year/period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue with voting rights during the financial year/period.

	Group	
	1.7.2019 to 30.6.2020	**1.5.2018 to 30.6.2019**
Profit attributable to owners of the parent (RM'000)	6,610	22,495
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	748,763
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	-	24,189
Adjusted weighted average number of ordinary shares ('000)	772,952	772,952
Basic earnings per share (sen):	0.86	2.91

Notes to the Financial Statements
30 June 2020
(Cont'd)

10. Earnings per share (contd.)

(b) Diluted

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

11. Goodwill

	Group	
	30.6.2020 RM'000	**30.6.2019 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	
	30.6.2020 RM'000	**30.6.2019 RM'000**
REDtone Engineering & Network Services Sdn. Bhd.	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	
	30.6.2020	**30.6.2019**
Average budgeted EBITDA margin	20.74%	25.71%
Average growth rate	-29.72%	-18.00%
Discount rate	11.30%	12.00%
Terminal growth rate	1.00%	1.00%

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.

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 goodwill to be materially higher than its recoverable amount.

12. Property, plant and equipment

	Freehold office lots RM'000	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 2020								
Cost								
At 1 July 2019	5,498	687	6,652	982	38,474	2,760	391	55,444
Adoption of MFRS 16	-	(687)	-	-	-	-	(203)	(890)
At 1 July 2019 (restated)	5,498	-	6,652	982	38,474	2,760	188	54,554
Additions	-	-	74	35	400	-	-	509
Disposal	-	-	-	(3)	-	(3)	-	(6)
Written off	-	-	(462)	(14)	-	(163)	(4)	(643)
Reclassified from investment properties	600	-	-	-	-	-	-	600
At 30 June 2020	6,098	-	6,264	1,000	38,874	2,594	184	55,014
Accumulated depreciation								
At 1 July 2019	1,261	279	5,568	699	30,759	2,302	246	41,114
Adoption of MFRS 16	-	(279)	-	-	-	-	(118)	(397)
At 1 July 2019 (restated)	1,261	-	5,568	699	30,759	2,302	128	40,717
Charge for the year (Note 6)	125	-	235	58	2,289	92	30	2,829
Disposal	-	-	-	(2)	-	(3)	-	(5)
Written off	-	-	(462)	(8)	-	(126)	(4)	(600)
At 30 June 2020	1,386	-	5,341	747	33,048	2,265	154	42,941
Net carrying amount	4,712	-	923	253	5,826	329	30	12,073

Notes to the Financial Statements
30 June 2020
(Cont'd)

12. Property, plant and equipment (contd.)

	Freehold office lots RM'000	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	5,499	687	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 company	-	-	(682)	(99)	(10)	(332)	-	(1,123)
At 30 June 2019	5,498	687	6,652	982	38,474	2,760	391	55,444
Accumulated depreciation								
At 1 May 2018	1,125	263	8,462	1,435	34,706	6,270	156	52,417
Charge for the year (Note 6)	138	16	329	107	3,767	203	90	4,650
Written off	(2)	-	(2,937)	(796)	(7,710)	(4,017)	-	(15,462)
Deconsolidation of a subsidiary company	-	-	(286)	(47)	(4)	(154)	-	(491)
At 30 June 2019	1,261	279	5,568	699	30,759	2,302	246	41,114
Net carrying amount	4,237	408	1,084	283	7,715	458	145	14,330

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 RM nil (2019: RM745,000) 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 RM25,819,000 (2019: RM21,772,000).

The additions were acquired by way of:

	Group	
	30.6.2020 RM'000	**30.6.2019 RM'000**
Cash	509	236

13. Investment properties

	Group	
	30.6.2020 RM'000	**30.6.2019 RM'000**
Freehold office lots, at fair value		
At beginning of financial year/period	1,200	1,160
Reclassified to property, plant and equipment	(600)	-
Fair value gain recognised in the statements of profit or loss and other comprehensive income (Note 4)	-	40
At end of financial year/period	600	1,200

During the financial year, in accordance with MFRS 140: Investment Property, the Group transferred one freehold office lot from investment properties to property, plant and equipment upon utilising it internally. 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 2020, 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	600

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.

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 2020				
Cost				
At 1 July 2019/ At 30 June 2020	250	24,670	-	24,920
Accumulated amortisation				
At 1 July 2019	137	-	-	137
Amortisation (Note 6)	50	-	-	50
Impairment	-	24,670	-	24,670
At 30 June 2020	187	24,670	-	24,857
Net carrying amount	63	-	-	63
At 30 June 2019				
Cost				
At 1 May 2018	250	24,670	12,174	37,094
Deconsolidation of a subsidiary company	-	-	(12,174)	(12,174)
At 30 June 2019	250	24,670	-	24,920
Accumulated amortisation				
At 1 May 2018	80	-	-	80
Amortisation (Note 6)	57	-	-	57
At 30 June 2019	137	-	-	137
Net carrying amount	113	24,670	-	24,783

14. Intangible assets (contd.)

Telecommunications licences with allocated spectrum

The telecommunication licence with allocated spectrum of the Group is in relation to the 2300 MHz spectrum band.

Management performed an impairment assessment by estimating the recoverable amount of the intangible asset and comparing it to its carrying amount. In determining the recoverable amount, management considered the implication arising from the announcement made by the Malaysian Communications and Multimedia Commission ("MCMC") on 31 December 2019 which stated that the existing license allocation for the 2300 MHz spectrum bands will only be maintained until 31 December 2021. Thereafter, MCMC will undertake a review of the license allocation as part of the overall spectrum bands allocation for mobile broadband services in Malaysia.

Accordingly, management determined the recoverable amount based on value in use, which involved estimating the expected future cash flows to be generated from its continuing use until 31 December 2021. Cash flows beyond 31 December 2021 were not considered due to the uncertainty of the renewal of the license by MCMC.

Arising from the assessment, a full impairment loss of RM24,670,000 was recognised to write down the carrying amount of the intangible to nil in the statement of profit or loss.

15. Development costs

	Group	
	30.6.2020 RM'000	**30.6.2019 RM'000**
Cost		
At beginning of financial year/period	10,256	10,256
Written off	(1,912)	-
At end of financial year/period	8,344	10,256
Accumulated amortisation and impairment		
At beginning of financial year/period	10,079	9,409
Amortisation (Note 6)	79	670
Written off	(1,912)	-
At end of financial year/period	8,246	10,079
Analysed as:		
Accumulated amortisation	6,593	8,426
Accumulated impairment	1,653	1,653
	8,246	10,079
Net carrying amount	98	177

Notes to the Financial Statements
30 June 2020
(Cont'd)

16. Investments in subsidiary companies

	Company	
	30.6.2020 RM'000	30.6.2019 RM'000
Unquoted shares, at cost	2,994	3,709
Deconsolidation of a subsidiary company	-	(715)
ESOS granted to employees of subsidiary companies	10,367	10,367
	13,361	13,361
Accumulated impairment losses	(3,804)	(3,804)
	9,557	9,557

The details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of effective interest held 30.6.2020 %	30.6.2019 %	Principal activities
REDtone Telecommunications Sdn. Bhd.	Malaysia	100	100	Research, development, manufacturing and marketing of computer-telephony integration, provision of communication services and investment holding.
REDtone Technology Sdn. Bhd.	Malaysia	100	100	Provider of total solutions in business communication and telecommunication services and investment holding.
REDtone Engineering & Network Services Sdn. Bhd.	Malaysia	100	100	Research and development, manufacturing and marketing of telecommunication and multimedia solutions.
REDtone Data Centre Sdn. Bhd.	Malaysia	70	70	Provides system integration, software solutions and trading in computer hardware.
Ansar Mobile Sdn. Bhd.	Malaysia	100	100	Provision of telecommunications services including fixed and mobile services and telecom-munications related services.
REDtone IOT Sdn. Bhd.	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.

16. Investments in subsidiary companies (contd.)

Name of subsidiary companies	Country of incorporation	Proportion of effective interest held 30.6.2020 %	30.6.2019 %	Principal activities
Held through REDtone Technology Sdn. Bhd.				
REDtone Mytel Sdn.	Malaysia	60	60	Provision of telecommunication services.
REDtone Technology Pte. Ltd. ^	Singapore	100	100	Provision of telecommunication related products and services.
SEA Telco Engineering Services Sdn. Bhd.	Malaysia	80	80	Provision of information technology services.
Meridianotch Sdn. Bhd.	Malaysia	100	100	Investment holding.

^ This subsidiary company was audited by other firm of chartered accountants.

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

Loss of control in a subsidiary company in prior year

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 had significant influence over REX and accordingly has classified REX as an associated company.

The carrying amount of assets and liabilities of REX 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
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 company	(387)

Notes to the Financial Statements
30 June 2020
(Cont'd)

17. Investments in associated companies

	Group 30.6.2020 RM'000	Group 30.6.2019 RM'000
Unquoted shares in Malaysia, at cost	3,305	3,305
Share of post-acquisition reserves	(2,464)	(937)
Accumulated impairment losses	(841)	(841)
	-	1,527

	Company 30.6.2020 RM'000	Company 30.6.2019 RM'000
Unquoted shares in Malaysia, at cost	3,305	3,305
Accumulated impairment losses	(1,983)	(841)
	1,322	2,464

Details of the associated companies are as follows:

Name of associated companies	Country of incorporation	Proportion of effective interest held 30.6.2020 %	Proportion of effective interest held 30.6.2019 %	Principal activities
REDtone Network Sdn. Bhd.	Malaysia	49	49	Research and development and marketing of communication applications.
Sea Telco Engineering Services (Sarawak) Sdn. Bhd.	Malaysia	49	49	Telecommunications and related services.
REDtone MEX Sdn. Bhd.	Malaysia	56	56	Building of teleconsultation/ teleradiology exchange and distributing, designing and development of information system, mobile solutions and healthcare solution.

The Group classifies its investment in REX as an associated company notwithstanding its 56% shareholdings as the Group only has significant influence over the investee by virtue of Board representation to participate in the financial and operating policy decisions and not control or joint control over those policies.

The Group has not recognised losses relating to the following associated companies as its share of losses has exceeded the Group's interest in these associated companies. The Group's cumulative share of unrecognised losses at the reporting date are as follows:

	30.6.2020 RM'000	30.6.2019 RM'000
REDtone Network Sdn. Bhd.	1,025	1,021
Sea Telco Engineering Services (Sarawak) Sdn. Bhd.	15	10
REDtone MEX Sdn. Bhd.	4,724	-

17. Investments in associated companies (contd.)

The summarised financial information of the material associated company are as follows:

Summarised statement of financial position of REX

	30.6.2020 RM'000
Assets and liabilities	
Current assets	372
Non-current assets	1,818
Current liabilities	(6,316)
Net liabilities	(4,126)

Summarised statement of comprehensive income of REX

	1.7.2019 to 30.6.2020 RM'000
Revenue	1,279
Loss for the financial year, representing total comprehensive loss for the financial year	(11,163)

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

	30.6.2020 RM'000
Net liabilities at 30 June 2020	(4,126)
Interest in associated company as at reporting date	56%
	(2,311)
Group's share of net liabilities	2,311
Carrying amount of Group's interest in associated company	-

Notes to the Financial Statements
30 June 2020
(Cont'd)

18. Deferred tax

	Group 30.6.2020 RM'000	Group 30.6.2019 RM'000
At beginning of financial year/period	(3,423)	(4,158)
Recognised in the statements of profit or loss and other comprehensive income (Note 9)	899	1,647
Deconsolidation of a subsidiary company	-	(912)
At end of financial year/period	(2,524)	(3,423)
Presented in the statements of financial position as follows:		
Deferred tax assets	(2,524)	(3,423)

Deferred tax assets of the Group:

	Unutilised tax losses and unabsorbed capital allowances RM'000	Provisions RM'000	Total RM'000
At 1 July 2019	(2,632)	(3,485)	(6,117)
Recognised in the statements of profit or loss and other comprehensive income	1,128	(1,966)	(838)
At 30 June 2020	(1,504)	(5,451)	(6,955)
Less: offset against deferred tax liabilities			4,431
			(2,524)
At 1 May 2018	(5,917)	(3,411)	(9,328)
Recognised in the statements of profit or loss and other comprehensive income	2,647	(132)	2,515
Deconsolidation of a subsidiary company	638	58	696
At 30 June 2019	(2,632)	(3,485)	(6,117)
Less: offset against deferred tax liabilities			2,694
			(3,423)

18. Deferred tax (contd.)

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles RM'000
At 1 July 2019	2,694
Recognised in the statements of profit or loss and other comprehensive income	1,737
At 30 June 2020	4,431
Less: Offset against deferred tax assets	(4,431)
	-
At 1 May 2018	5,170
Recognised in the statements of profit or loss and other comprehensive income	(868)
Deconsolidation of a subsidiary company	(1,608)
At 30 June 2019	2,694
Less: Offset against deferred tax assets	(2,694)
	-

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

	Group		**Company**	
	30.6.2020 RM'000	**30.6.2019 RM'000**	**30.6.2020 RM'000**	**30.6.2019 RM'000**
Unutilised tax losses	13,861	22,044	-	-
Unabsorbed capital allowances	928	925	-	-
Other deductible temporary differences	4,865	3,149	-	100
	19,654	26,118	-	100

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 subject to guidelines issued by the tax authority.

The Ministry of Finance via the Budget 2019 announced that with effect of year of assessment 2019, the Government will limit the carrying forward of unutilised business losses and unabsorbed reinvestment allowances up to a maximum of seven consecutive years of assessment.

The Group and the Company recognised deferred tax assets up to the total amount of deferred tax liabilities. No further deferred tax assets are being recognised by the Group and the Company as it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits.

Notes to the Financial Statements
30 June 2020
(Cont'd)

19. Inventories

	Group 30.6.2020 RM'000	Group 30.6.2019 RM'000
Cost		
Finished goods	547	349

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM10,388,000 (2019: RM13,311,000).

20. Trade and other receivables

	Group		Company	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Current				
Trade receivables				
Third parties	52,021	29,947	-	-
Less: allowance for expected credit loss	(1,828)	(5,992)	-	-
Trade receivables, net	50,193	23,955	-	-
Other receivables				
Third parties	2,523	2,877	-	1,229
Amount due from an associated company	5,054	6,922	5,030	6,902
Amounts due from subsidiary companies	-	-	74,435	74,509
Deposits	2,304	2,287	-	-
Prepayments	1,694	1,633	25	30
Sundry receivables	347	678	-	-
	11,922	14,397	79,490	82,670
Less: allowance for expected credit loss	(61)	(3,336)	-	(3,296)
Other receivables, net	11,861	11,061	79,490	79,374
	62,054	35,016	79,490	79,374
Non-current				
Other receivables				
Third parties	-	18,785	-	18,785
Less: allowance for expected credit loss	-	(18,785)	-	(18,785)
	-	-	-	-
Total trade and other receivables (current and non-current)	62,054	35,016	79,490	79,374
Add: cash and bank balances (Note 23)	44,039	51,760	110	14
Less: prepayments	(1,694)	(1,633)	(25)	(30)
Total financial assets carried at amortised cost	104,399	85,143	79,575	79,358

20. Trade and other receivables (contd.)

Ageing analysis of trade receivables

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

	Group	
	30.6.2020	30.6.2019
	RM'000	RM'000
Neither past due nor impaired	5,308	3,651
1 to 30 days past due not impaired	3,306	594
31 to 60 days past due not impaired	1,211	244
61 to 90 days past due not impaired	16,111	57
91 to 120 days past due not impaired	56	716
More than 121 days past due not impaired	24,201	18,693
	44,885	20,304
Expected credit loss	1,828	5,992
	52,021	29,947

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 89% (2019: 72%) 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 year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM44,885,000 (2019 : RM20,304,000) that are past due at the reporting date but not impaired as there is no concern on the credit-worthiness of the counterparties and the recoverability of these debts.

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	
	30.6.2020	30.6.2019
	RM'000	RM'000
Group		
Trade receivables		
- nominal amounts	1,828	5,992
Less: allowance for expected credit loss	(1,828)	(5,992)
	-	-

20. Trade and other receivables (contd.)

Movement in allowance for expected credit loss:

	Group		Company	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Trade receivables				
At beginning of financial year/period	5,992	13,682	-	-
Net allowance/(writeback) of expected credit loss (Note 6)	337	(146)	-	-
Written off	(4,501)	(7,544)	-	-
At end of financial year/period	1,828	5,992	-	-
Other receivables				
At beginning of financial year/period	22,121	22,111	22,081	22,081
Net allowance for expected credit loss (Note 6)	21	10	-	-
Written off	(22,081)	-	(22,081)	-
At end of financial year/period	61	22,121	-	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 (2019: two) customers representing approximately 83% (2019: 63%) of the total trade receivables.

(b) Amounts due from subsidiary companies

Amounts due from subsidiary companies are non-trade in nature, interest bearing at 4.35% p.a. (2019: 4.35% 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 associated company

Amount due from an associated company is non-trade in nature, interest-bearing at 4.35% p.a. (2019: 4.35% p.a.), unsecured and is repayable on demand.

21. Contract balances

	Group	
	30.6.2020 RM'000	30.6.2019 RM'000
Current		
Contract assets	52,298	77,153
Contract liabilities	(11,769)	(6,261)

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 2020 and 30 June 2019 are as follows:

	Group	
	30.6.2020 RM'000	30.6.2019 RM'000
Within one year	69,911	98,640
More than one year	87,189	135,506
	157,100	234,146

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	
	30.6.2020 RM'000	30.6.2019 RM'000
At beginning of financial year/period	6,261	9,695
Net addition/(utilisation) during the financial year/period	5,508	(3,434)
At end of financial year/period	11,769	6,261

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

	30.6.2020 RM'000	30.6.2019 RM'000
Telecommunication services	3,205	1,195
Managed Telecommunications Network Services	8,564	5,066
	11,769	6,261

22. Short term investments

	Group	
	30.6.2020 RM'000	30.6.2019 RM'000
Fair value through profit or loss		
Cash management fund	58,605	15,114

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

Notes to the Financial Statements
30 June 2020
(Cont'd)

23. Cash and bank balances

	Group		Company	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Cash on hand and at banks	5,488	2,702	28	8
Deposits with licensed banks	38,551	49,058	82	6
	44,039	51,760	110	14

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

	Group	
	30.6.2020	30.6.2019
Deposits with licensed banks	2.67%	2.97%

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

	Group	
	30.6.2020 Days	30.6.2019 Days
Deposits with licensed banks	56	46

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 36.

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

	Group		Company	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Cash on hand and at banks	5,488	2,702	28	8
Deposits with licensed banks	38,551	49,058	82	6
Total cash and bank balances	44,039	51,760	110	14
Less: deposits pledged to licensed banks	(38,469)	(49,052)	-	-
Total cash and cash equivalents	5,570	2,708	110	14

24. Share capital

Issued and fully paid-up:

	Number of shares		Amount	
	30.6.2020	30.6.2019	30.6.2020 RM'000	30.6.2019 RM'000
At beginning of financial year/period	758,479,932	758,228,172	147,587	147,524
Issuance of shares pursuant to conversion of ICULS	23,973,953	251,760	2,226	63
At end of financial year/period	782,453,885	758,479,932	149,813	147,587

24. Share capital (contd.)

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 year, the share capital of the Company increased from RM147,587,215 to RM149,812,475 as a result of the issuance of 23,973,953 new ordinary shares resulting from the conversion of ICULS at the rate of ten ICULS into four ordinary shares in the Company.

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

25. Irredeemable convertible unsecured loan stocks

	Group/Company	
	30.6.2020 RM'000	30.6.2019 RM'000
Equity		
At beginning of financial year/period	2,226	2,289
Converted during the financial year/period	(2,226)	(63)
At end of financial year/period	-	2,226
Non-current liabilities		
At beginning of financial year/period	-	100
Reclassified to current	-	(100)
At end of financial year/period	-	-
Current liabilities		
At beginning of financial year/period	100	165
Converted during the financial year/period	(100)	(164)
Payment during the financial year/period	(100)	(166)
Accretion of interest during the financial year/period	100	165
Reclassified from non-current	-	100
At end of financial year/period	-	100

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. 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 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.

On 4 March 2020, all the outstanding ICULS were mandatorily converted into new ordinary shares in accordance to the terms of issuance.

26. Treasury shares

During the financial year, the Company did not buy back any of its own shares.

Of the total 782,453,885 (2019: 758,479,932) issued and fully paid-up ordinary shares as at the end of the financial year, 9,502,000 (2019: 9,502,000) ordinary shares are held as treasury shares by the Company amounting to RM5,653,000 (2019: RM5,653,000).

Details of the shares repurchased and retained as treasury shares were as follows:

	Number of shares		Amount	
	30.6.2020	30.6.2019	30.6.2020 RM'000	30.6.2019 RM'000
At beginning and end of financial year/period	9,502,000	9,502,000	5,653	5,653

27. Reserves

		Group		Company	
		30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Retained profit/(accumulated losses)		16,302	17,184	(46,644)	(53,184)
Foreign exchange reserve	(a)	(663)	(663)	-	-
Revaluation reserve	(b)	641	641	-	-
FVTOCI reserve	(c)	(150)	-	(150)	-
		16,130	17,162	(46,794)	(53,184)

(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.

(c) FVTOCI reserve

FVTOCI reserve relates to the fair value changes of investments classified as FVTOCI as disclosed in Note 31.

28. Loans and borrowings

	Maturity	Group 30.6.2020 RM'000	Group 30.6.2019 RM'000
Current			
Secured:			
Term loans:-			
Fixed loan 1 at BLR -1.65% p.a.	2021	13	12
Fixed loan 2 at BLR -1.65% p.a.	2021	30	28
Refinancing loan 1 at BLR -1.65% p.a.	2021	10	10
Refinancing loan 2 at BLR -1.65% p.a.	2021	24	23
Refinancing loan 3 at BLR -1.65% p.a.	2021	11	10
Hire purchase obligations	2021	-	34
		88	117
Non-current			
Secured:			
Term loans:-			
Fixed loan 1 at BLR -1.65% p.a.	2022 - 2029	199	211
Fixed loan 2 at BLR -1.65% p.a.	2022 - 2029	470	497
Refinancing loan 1 at BLR -1.65% p.a.	2022 - 2029	172	181
Refinancing loan 2 at BLR -1.65% p.a.	2022 - 2029	400	424
Refinancing loan 3 at BLR -1.65% p.a.	2022 - 2029	176	186
Hire purchase obligations	2022	-	44
		1,417	1,543
Total loans and borrowings			
Secured:			
Fixed loan 1 at BLR -1.65% p.a.		212	223
Fixed loan 2 at BLR -1.65% p.a.		500	525
Refinancing loan 1 at BLR -1.65% p.a.		182	191
Refinancing loan 2 at BLR -1.65% p.a.		424	447
Refinancing loan 3 at BLR -1.65% p.a.		187	196
Hire purchase obligations		-	78
		1,505	1,660

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group 30.6.2020 RM'000	Group 30.6.2019 RM'000
On demand or within one year	88	117
More than 1 year and less than 2 years	92	123
More than 2 years and less than 5 years	305	300
5 years or more	1,020	1,120
	1,505	1,660

28. Loans and borrowings (contd.)

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.

Hire purchase obligations

These obligations are unsecured, denominated in RM and the average discount rate implicit in the leases is nil p.a. (2019: 2.57% p.a).

The hire purchase obligations have been reclassified and included in lease liabilities on 1 July 2020 upon adoption of MFRS 16.

29. Right-of-use assets and lease liabilities

Carrying amounts of right-of-use assets recognised and the movements during the year:

	Adoption of MFRS 16 as at 1 July 2019 RM'000	Additions RM'000	Depreciation RM'000	At end of year RM'000
Leasehold office lots	408	-	(14)	394
Warehouse and sites	8,663	811	(3,665)	5,809
Equipment and machinery	4,190	1,307	(2,168)	3,329
Motor vehicles	85	-	(41)	44
Computer server	-	2,019	(148)	1,871
Total	13,346	4,137	(6,036)	11,447

29. Right-of-use assets and lease liabilities (contd.)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year.

	Group RM'000
As at 1 July 2019	-
Effect on adoption of MFRS 16	12,938
As at 1 July 2019 (restated)	12,938
Additions	4,137
Accretion of interest	868
Lease payments	(6,780)
As at 30 June 2020	11,163
Analysed as:	
- Non-current	5,393
- Current	5,770
	11,163

	Group 1.7.2019 to 30.6.2020 RM'000
The following are the amounts recognised in profit and loss:	
- depreciation expenses of right-of-use assets	6,036
- interest expense on lease liabilities	868
Expenses relating to leases:	
- short-term leases	1,521
- leases of low-value assets	206

The Group has total cash outflow for leases amounting to RM8,507,000.

30. Trade and other payables

	Group		Company	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Trade payables				
Third parties	7,267	8,624	-	-
Accruals	44,217	35,407	-	-
	51,484	44,031	-	-
Other payables				
Provision for Universal Service Fund Contribution ("USOF") (Note 30(b))	6,298	6,722	-	-
Accruals	3,697	8,812	117	163
Deposits payable	1,904	1,953	-	-
Sundry payables	2,671	1,380	1,377	24
	14,570	18,867	1,494	187
Total trade and other payables	66,054	62,898	1,494	187
Add: loans and borrowings (Note 28)	1,505	1,660	-	-
Less: provision for USOF	(6,298)	(6,722)	-	-
Total financial liabilities carried at amortised cost	61,261	57,836	1,494	187

30. Trade and other payables (contd.)

(a) Trade payables

Trade payables are interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2019: 30 to 60) days.

(b) Provision for USOF

	Group	
	30.6.2020 RM'000	30.6.2019 RM'000
At beginning of financial year/period	6,722	7,065
Recognised in the statements of profit or loss and other comprehensive income (Note 6)	1,314	1,224
Payment	(1,738)	(1,567)
At end of financial year/period	6,298	6,722

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.

31. Other investments

	Group/Company	
	30.6.2020 RM'000	30.6.2019 RM'000
At fair value through other comprehensive income ("FVTOCI")		
- Quoted shares in Malaysia	8,481	-

During the financial year, the Group and the Company recognised the fair value changes of investments classified as FVTOCI, amounting to RM150,000 to the FVTOCI reserve.

Further details on fair value hierarchy and classification of equity investments are disclosed in Note 36(f).

32. Commitments

	Group	
	30.6.2020 RM'000	30.6.2019 RM'000
(i) Capital commitments		
Approved and contracted for:		
- Property, plant and equipment	307	594

32. Commitments (contd.)

(ii) Operating lease commitments - as lessee

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 As reported under MFRS 117 RM'000
Not more than one year	40
Later than one year but not later than five years	44
	84

Upon adoption of MFRS 16 on 1 July 2019, the present value of future minimum leases have been accounted for as part of lease liabilities on the balance sheet. Please refer to Note 2.2 for further details.

(iii) Finance leases and hire purchase commitments

The Group has finance leases and hire purchase contract for certain items of computer server and motor vehicle as disclosed in Note 29. 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	
	30.6.2020 RM'000	30.6.2019 RM'000
Minimum lease payments:		
Not later than 1 year	-	37
Later than 1 year but not later than 2 years	-	37
Later than 2 years but not later than 5 years	-	8
Total minimum lease payments	-	82
Less: amount representing finance charges	-	(4)
Present value of minimum lease payments	-	78
Present value of finance leases and hire purchase contract liabilities:		
Not later than 1 year	-	34
Later than 1 year but not later than 2 years	-	35
Later than 2 years but not later than 5 years	-	9
Present value of minimum lease payments	-	78
Analysed as:		
Due within 12 months	-	34
Due after 12 months	-	44
	-	78

Notes to the Financial Statements
30 June 2020
(Cont'd)

33. Guarantees

	Group 30.6.2020 RM'000	Group 30.6.2019 RM'000
Performance bonds in favour of various government and statutory bodies and private companies	28,193	27,758

34. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year/period:

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.5.2018 to 30.6.2019 RM'000
Revenue:			
Wireless broadband:			
- Berjaya Corporation Berhad	b	23	27
- Berjaya Land Berhad	c	23	27
- Berjaya Sompo Insurance Berhad	d	1,045	1,761
- Berjaya Sports Toto Berhad	c	23	27
- Berjaya Starbucks Coffee Company Sdn. Bhd.	c	25	29
- Berjaya Waterfront Sdn. Bhd.	e	117	161
- Inter-Pacific Securities Sdn. Bhd.	c	72	89
- Natural Avenue Sdn. Bhd.	e	24	31
- Qinetics Services Sdn. Bhd.	a	6	7
- Sun Media Corporation Sdn. Bhd.	f	77	104
- Singer (Malaysia) Sdn. Bhd.	a	6	7
- The Taaras Beach & Spa Resort (Redang) Sdn. Bhd.	c	127	147
- Tioman Island Resort Berhad	c	80	118
Corporate voice:			
- Berjaya Corporation Berhad	b	45	69
- Berjaya Sompo Insurance Berhad	d	5	10
- Bukit Kiara Resort Berhad	c	-	1
- Cempaka Properties Sdn. Bhd.	c	1	1
- Prime Credit Leasing Sdn. Bhd.	c	-	1
- Singer (Malaysia) Sdn. Bhd.	a	45	62
- Sports Toto Malaysia Sdn. Bhd.	c	9	15
- U Mobile Sdn. Bhd.	a	57	36
- Sun Media Corporation Sdn. Bhd.	f	1	-
Data centre services:			
- Berjaya Sompo Insurance Berhad	d	181	218
- Singer (Malaysia) Sdn. Bhd.	a	42	44
- Berjaya Higher Education Sdn. Bhd.	c	-	1
- BLoyalty Sdn. Bhd.	c	1,325	840
- Natural Intelligence Solutions Sdn. Bhd.	c	10	-
- Qinetics MSP Sdn. Bhd.	a	55	-
Rental income:			
- Best Media Network Sdn. Bhd.	g	15	38

34. Related party disclosures (contd.)

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.5.2018 to 30.6.2019 RM'000
Expenses:			
Berjaya Corporation Berhad	b		
- Management fees		60	73
- Loan interest expense		-	187
Berjaya Higher Education Sdn. Bhd.	c		
- Training		3	26
Berjaya Golf Resort Berhad	c		
- Public relation		9	3
Berjaya Hospitality Services Sdn. Bhd.	c		
- Function room, food and beverages		-	54
Berjaya Registration Services Sdn. Bhd.	c		
- Share registration		43	28
Berjaya Sompo Insurance Berhad	d		
- General insurance		89	127
- Group hospital and surgical		670	496
Berjaya Roasters (M) Sdn. Bhd.	c		
- Cash voucher		11	6
Berjaya Times Square Sdn. Bhd.	e		
- Rental co-location		73	85
E.V.A. Management Sdn. Bhd.	c		
- Management fee		39	34
Sun Media Corporation Sdn. Bhd.	f		
- Advertisement		-	5
U Mobile Sdn. Bhd.	a		
- Staff handphone charges		143	267
Best Media Network Sdn. Bhd.	g		
- Broadcasting charges		-	35
BLoyalty Sdn. Bhd.	c		
- Equipment rental		50	-

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 other than subsidiary companies of the Company
(d) Associate company of BCORP Group
(e) A subsidiary company of Berjaya Assets Berhad ("BASSET"). TSVT is a substantial shareholder of BASSET
(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

34. Related party disclosures (contd.)

Compensation of key management personnel

The remuneration of key management during the financial year/period was as follows:

	Group	
	1.7.2019 to 30.6.2020 RM'000	**1.5.2018 to 30.6.2019 RM'000**
Short-term employee benefits	5,649	7,038

Included in compensation for key management personnel of the Group are directors' remuneration amounting to RM2,672,000 (2019: RM3,131,000) as disclosed in Note 8.

35. Significant event (COVID-19 Pandemic)

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and the response of the Government in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

The financial statements have been prepared based upon conditions existing as at 30 June 2020 and have considered those events occurring subsequent to that date, that provide evidence of conditions that existed at the reporting date. The outbreak of COVID-19 pandemic was a condition that existed at the reporting date. Accordingly, adjustments relating to asset impairment, write down, expected credit loss and fair value loss have been made to the financial statements as at 30 June 2020 for the impacts of COVID-19 pandemic, as appropriate.

Premise on the foregoing, the Directors anticipate that the performance of the Group to remain challenging and will continue to assess the extent to which COVID-19 pandemic may impact the Group's financial position or results of operations, for the next financial year ending 30 June 2021.

36. 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/period, 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.

36. Financial instruments (contd.)

(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.

36. 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 2020							
Loans and borrowings	28	3.82%	88	92	305	1,020	1,505
Lease liability	29	6.99%	5,770	3,807	1,586	-	11,163
Deposits with licensed banks	23	2.67%	38,551	-	-	-	38,551
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

36. 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 2020				
Financial assets				
Trade receivables	88	-	-	88
Cash and bank balances	685	6	-	691
	773	6	-	779
Financial liabilities				
Trade payables	(387)	(40)	-	(427)
Other payables and accruals	(99)	(33)	(2)	(134)
	(486)	(73)	(2)	(561)
Net financial assets/(liabilities)	287	(67)	(2)	218
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

36. 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	
		30.6.2020 RM'000 Profit, net of tax	30.6.2019 RM'000 Profit, net of tax
USD/RM	- strengthened 5%	14	10
	- weakened 5%	(14)	(10)
SGD/RM	- strengthened 5%	(3)	(3)
	- weakened 5%	3	3

(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.

36. 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 2020				
Loans and borrowings	157	628	1,176	1,961
Lease liabilities	6,303	5,695	-	11,998
Trade and other payables	59,756	-	-	59,756
Total undiscounted financial liabilities	66,216	6,323	1,176	73,715
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
Company				
30 June 2020				
Other payables and accruals, representing total undiscounted financial liabilities	1,494	-	-	1,494
30 June 2019				
Other payables and accruals, representing total undiscounted financial liabilities	187	-	-	187

36. 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 (2019: two) customers which constituted approximately 83% (2019: 63%) 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 and financial assets 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 FVTOCI				
Other investments (Note 31)				
- 2020	8,481	-	-	8,481
Financial asset at FVTPL				
Short term investments (Note 22)				
Fair value through profit or loss				
- 2020	-	58,605	-	58,605
- 2019	-	15,114	-	15,114

36. Financial instruments (contd.)

(f) Fair values (contd.)

Determination of fair value

Short term 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 year.

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	30

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.

37. 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.

Notes to the Financial Statements
30 June 2020
(Cont'd)

38. 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			
2020			
Telecommunications services	78,246	3,374	81,620
Managed telecommunications network services	96,642	77,298	173,940
Industry digital services	3,018	525	3,543
Inter-segment elimination	-	(81,197)	(81,197)
	177,906	-	177,906
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

	1.7.2019 to 30.6.2020 RM'000	1.5.2018 to 30.6.2019 RM'000
Results		
Telecommunications services	27,711	34,990
Managed telecommunications network services	22,714	10,028
Industry digital services	(1,185)	(4,448)
	49,240	40,570
Indirect corporate expenses	(1,839)	(2,405)
Profit from operations	47,401	38,165
Investment related expenses	-	(2,521)
Impairment loss on intangible asset	(24,670)	-
Finance costs	(1,513)	(1,100)
Share of result of an associated company	(1,527)	(937)
Profit before tax	19,691	33,607
Taxation	(10,974)	(11,617)
Profit after tax	8,717	21,990

38. Segment information (contd.)

	Malaysia RM'000	Other country RM'000	The Group RM'000
2020			
Assets			
Segment assets	250,721	7	250,728
Tax recoverable			29
Deferred tax assets			2,524
Consolidated total assets			253,281
Liabilities			
Segment liabilities	90,454	37	90,491
Provision for taxation			1,083
Consolidated total liabilities			91,574
Other segment items			
Additions to non-current assets other than financial instruments:			
- Property, plant and equipment	509	-	509
Depreciation of property, plant and equipment	2,829	-	2,829
Depreciation of right-of-use assets	6,036	-	6,036
Amortisation of intangible assets	50	-	50
Amortisation of development costs	79	-	79
Impairment loss on intangible asset	24,670	-	24,670
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

Major customers

Revenue from two (2019: two) major customers amounted to RM79,101,000 and RM35,159,000 (2019: RM82,192,000 and RM43,647,000) respectively, arising from managed telecommunications network services and telecommunication services segments.

Notes to the Financial Statements
30 June 2020
(Cont'd)

39. Dividend

The dividends paid by the Company since 30 June 2019 were as follows:

	RM'000
Recognised during the financial year:	
<u>In respect of the financial period ended 30 June 2019</u>	
Interim single-tier dividend of 1.0 sen per ordinary share	7,492

On 19 August 2020, the Directors declared an interim dividend of 1.8 sen per ordinary share in respect of the financial year ended 30 June 2020 payable on 8 October 2020. The financial statements for the current financial year 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 2021.

40. Subsequent event

On 8 September 2020, the Company proposed to change its name from "REDtone International Berhad" to "REDtone Digital Berhad" ("Proposed Change of Name"). The name "REDtone Digital Berhad" has been approved and reserved by the Companies Commission of Malaysia for the Company. The Proposed Change of Name is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

41. Comparatives

In the previous financial year, the financial year end of the Group and of the Company was changed from 30 April to 30 June to be coterminous with the ultimate holding company's financial year end. Accordingly, comparative amounts for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related explanatory notes are not entirely comparable.

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 2020 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 136.

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 2020, and of their financial performance and their cash flows for the year then ended 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 year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key matters for the audit of the financial statements of the Group are described below. 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 assessment annually on its intangible asset with indefinite useful life, namely the telecommunication license with allocated spectrum, which is in relation to the 2300 MHz band.

Management performed an impairment assessment by estimating the recoverable amount of the intangible asset and comparing it to its carrying amount. In determining the recoverable amount, management considered the implication arising from the announcement made by the Malaysian Communications and Multimedia Commission ("MCMC") on 31 December 2019 which stated that the existing license allocation for the 2300 MHz spectrum bands will only be maintained until 31 December 2021. Thereafter, MCMC will undertake a review of the license allocation as part of the overall spectrum bands allocation for mobile broadband services in Malaysia.

Accordingly, management determined the recoverable amount based on value in use, which involved estimating the expected future cash flows to be generated from its continuing use until 31 December 2021. Cash flows beyond 31 December 2021 were not considered due to the uncertainty of the renewal of the license by MCMC.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Impairment assessment of intangible assets (contd.)

Arising from the assessment, a full impairment loss of RM24,670,000 was recognised to write down the carrying amount of the intangible to nil in the statement of profit or loss.

We focused on this area as the impairment assessment involved estimations that are judgmental and the amount of the impairment loss recognised was significant to the financial statements.

In addressing this area of audit focus, we:

- Assessed and reviewed the reasonableness of the key assumptions used in estimating the value in use, particularly the expected future cash flows from its continuing use until 31 December 2021;

- Read the public announcements made by MCMC to understand the regulatory development and strategy in respect of the spectrum bands allocation for mobile broadband services in Malaysia; and

- Reviewed the disclosures made in the financial statements.

Revenue recognition

a) Revenue recognition on telecommunication services

Refer to Note 2.4.20 – Revenue Recognition (Telecommunication Services Revenue) and Note 3 – Revenue.

Revenue from telecommunication services recognised by the Group during the year amounted to RM50,222,000, representing 28% 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 are involved in accounting for unbilled revenue at the reporting date.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Revenue recognition (contd.)

a) Revenue recognition on telecommunication services (contd.)

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.

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 and cost of sales on Managed Telecommunications Network Services

Refer to Note 2.4.20 – Revenue Recognition (Managed Telecommunications Network Services Revenue) and Note 3 - Revenue.

The Group is involved in a number of significant long term construction contracts 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 amounting to RM47,955,000, which accounts for 27% of the Group's revenue.

The Group recognises revenue for these long term contracts over time and uses the input method in measuring progress towards complete satisfaction of the performance obligation.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Revenue recognition (contd.)

b) Revenue recognition and cost of sales on Managed Telecommunications Network Services (contd.)

We focused on revenue and cost of sales from these contracts because the percentage of completion method used in measuring progress towards complete satisfaction of the 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 towards complete satisfaction of the performance obligation using the input method, including tracing 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.

Independent Auditors' Report

to the members of REDtone International Berhad
(Incorporated in Malaysia) (Cont'd)

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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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.

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.

- 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.

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.)

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.)

- 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, actions taken to eliminate threats or safeguards applied.

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 year 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.

Report on the audit of the financial statements (contd.)

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
9 October 2020

LIST OF PROPERTIES

As at 30 June 2020

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 2020 (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	22	85	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	22	89	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	22	108	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	22	110	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	23	600	30 Jun 2020/ 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	23	915	30 Apr 2009/ 1 Mar 2005

List of Properties
As at 30 June 2020
(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 2020 (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/ Vacant	N/A/ 136.29 square meters	Freehold	23	592	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	23	674	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	23	177	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	23	223	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	23	1,568	N/A/ 29 Mar 2004
RTC/ Unit No: 28 Storey: 6th, Pusat Perdagangan IOI Bandar Puchong Jaya, Puchong, Selangor Darul Ehsa	Office/ Occupied	N/A/ 142.14 square meters	Freehold	23	564	31 Mar 2018/ 7 July 2005

ANALYSIS OF SHAREHOLDINGS

As at 1 October 2020

Total Number of Issued Shares	:	772,951,885 (excluding 9,502,000 Treasury Shares)
Class of Shares	:	Ordinary Shares
Voting rights	:	One (1) vote per ordinary share

Size of ICULS holdings	No. of Shareholders	% of Total Shareholders	No. of Share Held	% of Issued Capital
Less than 100 shares	195	2.952	7,471	0.001
100 – 1,000 shares	527	7.978	279,812	0.036
1,001 – 10,000 shares	3,024	45.776	18,202,304	2.355
10,001 – 100,000 shares	2,493	37.738	85,586,340	11.073
100,001 – 38,647,593 shares	362	5.480	195,943,958	25.350
38,647,594 and above of shares	5	0.076	472,932,000	61.185
TOTAL	6,606	100.000	772,951,885#	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	0.36	–	–
3.	Mathew Thomas A/L Vargis Mathews	615,000	0.08	–	–
4.	Dato' Mohd Zaini Bin Hassan	20,000	#	–	–
5.	Avinderjit Singh A/L Harjit Singh	–	–	–	–
6.	Loh Paik Yoong	–	–	–	–
7.	Zakaria bin Abdul Hamid	–	–	–	–
8.	Datuk Seri Jamil bin Salleh	–	–	–	–

Notes:

negligible

Analysis of Shareholdings

As at 1 October 2020
(Cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

No	Name	No. of Shares Held Direct	%	Indirect	%
1.	Berjaya Philippines Inc.	52,932,000	6.85	–	–
2.	Berjaya Lottery Management (HK) Limited	–	–	52,932,000[1]	6.85
3.	Berjaya Sports Toto (Cayman) Limited	–	–	52,932,000[1]	6.85
4.	Magna Mahsuri Sdn Bhd	–	–	52,932,000[2]	6.85
5.	Berjaya Sports Toto Berhad	–	–	52,932,000[3]	6.85
6.	Berjaya Land Berhad	–	–	52,932,000[4]	6.85
7.	Gateway Benefit Sdn Bhd	–	–	52,932,000[4]	6.85
8.	Teras Mewah Sdn Bhd	–	–	52,932,000[5]	6.85
9.	Juara Sejati Sdn Bhd	346,532,692	44.83	58,332,000[6]	7.55
10.	Berjaya Group Berhad	–	–	404,864,692[7]	52.38
11.	Berjaya Corporation Berhad	–	–	404,864,692[8]	52.38
12.	Tan Sri Dato' Seri Vincent Tan Chee Yioun	7,000,000	0.91	404,914,692[9]	52.39
13.	DYMM Sultan Ibrahim Johor	134,000,000	17.34	–	–

Notes:

1. Deemed interested by virtue of their interest in Berjaya Philippines Inc.
2. Deemed interested by virtue of their interest in Berjaya Sports Toto (Cayman) Limited, the intermediate holding company of Berjaya Philippines Inc.
3. Deemed interested by virtue of their interest in Magna Mahsuri Sdn. Bhd., the intermediate holding company of Berjaya Philippines Inc.
4. Deemed interested by virtue of their interest in Berjaya Sports Toto Berhad, the intermediate holding company of Berjaya Philippines Inc.
5. Deemed interested by virtue of their interest in Berjaya Land Berhad, the intermediate holding company of Berjaya Philippines Inc.
6. 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.
7. Deemed interested by virtue of its interests in Juara Sejati Sdn Bhd.
8. Deemed interested by virtue of its interest in Berjaya Group Berhad.
9. Deemed interested by virtue of his interest in Berjaya Corporation Berhad and B & B Enterprise Sdn Bhd.

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*	152,000,000	19.66
2.	DYMM Sultan Ibrahim Johor	134,000,000	17.34
3.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Juara Sejati Sdn Bhd*	87,000,000	11.26
4.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd *Berjaya Philippines Inc*	52,932,000	6.85
5.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Juara Sejati Sdn Bhd*	47,000,000	6.08
6.	BBL Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Juara Sejati Sdn Bhd*	37,400,000	4.84

Analysis of Shareholdings

As at 1 October 2020

(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
7.	Juara Sejati Sdn Bhd	16,000,000	2.07
8.	CGS-Cimb Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Vincent Tan Chee Yioun*	7,000,000	0.91
9.	Lim Gaik Bway @ Lim Chiew Ah	5,420,100	0.70
10.	Prime Credit Leasing Berhad	5,400,000	0.70
11.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Juara Sejati Sdn Bhd*	4,932,692	0.64
12.	Lau Bik Soon	2,810,360	0.36
13.	Tiew Ming Ching	2,562,341	0.33
14.	Ng Hui Nooi	2,330,080	0.30
15.	Kenanga Nominees (Tempatan) Sdn Bhd *Rakuten Trade Sdn Bhd For Teh Eng Hai*	2,298,100	0.30
16.	Choo Yeh Fung	2,225,000	0.29
17.	Inter-Pacific Equity Nominees (Tempatan) Sdn.Bhd. *IPM For Juara Sejati Sdn Bhd*	2,200,000	0.28
18.	U Yong Doong @ U Sung Kwi	1,986,500	0.26
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ng Wee Mian*	1,830,900	0.24
20	Public Invest Nominees (Tempatan) Sdn Bhd *Exempt An For Phillip Securities Pte Ltd*	1,725,000	0.22
21	Maybank Nominees (Tempatan) Sdn Bhd *Yaw Chee Hou*	1,712,500	0.22
22	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Kong Kok Choy*	1,500,000	0.19
23	CGS-CIMB Nominees (Asing) Sdn Bhd *Exempt An For CGS-CIMB Securities (Singapore) Pte. Ltd.*	1,330,000	0.17
24	Lim Chuie Fang	1,200,000	0.16
25	Woon Wee Juang	1,167,520	0.15
26	On Thiam Chai	1,100,000	0.14
27	Public Invest Nominees (Asing) Sdn Bhd *Exempt An For Phillip Securities Pte Ltd*	1,080,000	0.14
28	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An For DBS Bank Ltd (SFS)*	1,010,000	0.13
29	Chua Ee Ping	1,000,400	0.13
30	Loh Shin Yean	1,000,000	0.13
		581,153,493	75.19

REDtone

REDTONE INTERNATIONAL BERHAD
[Registration No. 200201028701 (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)

or the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Manhattan V, Level 14, Berjaya Times Square Hotel Kuala Lumpur, No. 1, Jalan Imbi, 55100 Kuala Lumpur on Wednesday, 2 December 2020 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 3 December 2020 until the next Annual General Meeting of the Company to be held in year 2021.		
2.	Approval for the payment of Directors' benefits payable to the Directors of the Company from 3 December 2020 until the next Annual General Meeting of the Company to be held in year 2021.		
3.	Re-election of Mathew Thomas a/l Vargis Mathews as a Director of the Company.		
4.	Re-election of YAM Tunku Tun Aminah binti Sultan Ibrahim Ismail as a Director of the Company.		
5.	Re-election of Zakaria bin Abdul Hamid as a Director of the Company.		
6.	Re-election of Datuk Seri Jamil bin Salleh as a Director of the Company.		
7.	Re-appointment of Messrs. Ernst & Young PLT as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
8.	Retention of Dato' Mohd Zaini bin Hassan as Independent Non-Executive Director of the Company.		
9.	Retention of Mathew Thomas a/l Vargis Mathews as Independent Non-Executive Director of the Company.		
10.	Authority to Issue Shares pursuant to the Companies Act 2016.		
11.	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("**Proposed Mandate I**").		
12.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("**Proposed Mandate II**").		
SPECIAL RESOLUTION			
Proposed change of name 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............................2020

....
* Signature of Member/Common Seal

* *Delete whichever if not applicable*

For appointment of two (2) proxies, percentage of shareholding to be represented by each proxy		
	No. of shares	%
Proxy 1		
Proxy 2		
Total		

Notes:

1. *As no shareholders should be physically present at the broadcast venue, all shareholders are urged to attend the Meeting remotely using the Remote Participation and Voting ("**RPV**") facilities which are available on Securities Services e-Portal at https://sshsb.net.my/login.aspx. For further details and guidelines on RPV facilities, please refer to the Administrative Notes.*
2. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 25 November 2020 ("**General Meeting Record of Depositors**") shall be eligible to attend, speak and vote remotely at the Meeting or appoint proxy(ies) to attend, participate, speak and vote remotely in his stead.*
3. *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, participate, speak and vote at the same Meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to attend, participate, speak and vote at the meeting. The members or their proxies may communicate via real time submission of typed texts through a text box within Securities Services e-Portal's platform during live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in the primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Meeting.*

4. *The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.*
6. *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.*
7. *The instrument appointing a proxy must be deposited at the office of SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, or submit the Form of Proxy electronically via Securities Services e-Portal at https://sshsb.net.my/login.aspx not later than 48 hours before the time set for holding the Meeting. The lodging of the Form of Proxy does not preclude you from attending and voting remotely at the Meeting should you subsequently decide to do so, provided you register for Remote Participation and Voting by Monday, 30 November 2020 at 10:00 a.m.*
8. *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.*

1st Fold Here

AFFIX
STAMP

Poll Administrator
REDtone International Berhad
[Registration No. 200201028701 (596364-U)]
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur

2nd Fold Here

Fold This Flap For Sealing

REDtone International Bhd 200201028701 (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