

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

**SUMMARY OF KEY MATTERS DISCUSSED AT THE EIGHTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD 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.**

YAM Tunku Tun Aminah binti Sultan Ibrahim Ismail ("YAM Tunku Tun Chairman") the Non-Independent Non-Executive Chairman of REDtone International Berhad ("REDtone" or "Company") welcomed all present at the Broadcast Venue and those participating remotely in the Eighteenth Annual General Meeting ("18th AGM" or "Meeting") of REDtone from various locations through live streaming.

YAM Tunku Tun Chairman informed the Meeting that in view of the COVID-19 outbreak in Malaysia and globally and as part of the safety measures, the Board of Directors ("Board") of the Company had decided that the 18th AGM be held via live streaming webcast and online remote voting using the remote participation and voting facilities ("RPV") without physical attendance by shareholders and proxies at the Broadcast Venue.

Taking cognisance of the outbreak of COVID-19 pandemic and the enforcement of the Conditional Movement Control Order by the Malaysian National Security Council, YAM Tunku Tun Chairman conveyed her apologies for not being physically present at the Broadcast Venue.

For purpose of complying with Section 327(2) of the Companies Act 2016 which stipulated that the chairperson shall be present at the main venue of the general meeting, the Board has elected Datuk Seri Jamil bin Salleh, the Deputy Chairman of the Company, as Chairman of this Meeting to chair the proceedings of the 18th AGM in accordance with Clause 98 of the Company's Constitution.

YAM Tunku Tun Chairman then handed over the Chair to Datuk Seri Jamil bin Salleh.

**1. PRESENTATION BY THE GROUP CHIEF EXECUTIVE OFFICER**

Mr. Lau Bik Soon proceeded with his presentation on the strategic review and performance of the Group for the financial year ended 30 June 2020, project updates and outlook for the ensuing year.

**2. LETTER RECEIVED FROM MINORITY SHAREHOLDERS WATCH GROUP**

Mr. Lau Bik Soon read out the Company's responses to the questions of MSWG which were also flashed on the screen at the Meeting, the details are attached herewith and marked as **Annexure "A"**.

**3. KEY QUESTIONS AND COMMENTS RAISED BY SHAREHOLDERS AND PROXIES**

The following key questions were received and duly responded by the Board and the Management:-

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(Summary of Key Matters Discussed at the Seventeenth Annual General Meeting held on 3 December 2019 - cont’d)

**(i) Impact of COVID-19 pandemic outbreak**

Generally, the COVID-19 pandemic outbreak has impacted the business and operations of the Company as follows:-

- Customers have requested for better services at more competitive pricing, wherein the Company was working hard to help the customers through this difficult time.
- The COVID-19 pandemic outbreak presented opportunities to the Company in rolling out virtual reality solutions for the customers, and the Company’s operations have also been streamlined via digitisation of processes.

**(ii) Manpower issue of the Company**

As part of manpower planning and management, the Company adopts the continuous approach to reskill and upskill the employees internally to enable them in meeting the new demands in the thriving market. Meanwhile, the Company also looked for new talents vide collaboration with universities in internship programmes for purpose of ensuring constant supply of human capital to the Company.

**(iii) Strategy for the next twelve (12) months**

The Group would focus on the three (3) pillars of growth comprising of telecommunications services, managed telecommunications network services (“MTNS”) and industry digital services. Technology would be the way forward to thrive in this unprecedented crisis. The Company has introduced a few technological solutions to facilitate businesses to embrace infrastructure security, digital and data enablement in their digital transformation roadmap.

**(iv) Nearest competitor of the Company**

In telecommunications services segment, the Company has always strived to improve its services and solutions to the customers. In MTNS segment, there were only few competitors in Malaysia.

Despite the presence of numerous competitors in the segment of pure engineering for commercial deployment, the Management was confident with the resilience of the Company’s competitive edge in terms of economies of scale and better skillsets, to place itself ahead of the competitors.

**(v) What keeps CEO awake at night**

The way to ensure a good capital allocation within the available resources for the benefits and best interest of all stakeholders.

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**(vi) E-voucher and/or E-wallet credit**

The Company decided to give out RM50 worth of e-vouchers via BInfinite to the eligible shareholders and proxies who have attended and voted in the Meeting.

**(vii) Dividend policy of the Company**

The Company has not adopted a formal dividend policy for the time being. Nevertheless, the Board would endeavour to provide stable and sustainable dividends to shareholders.

The Company has declared an interim dividend of RM0.01 per ordinary share for the financial year ended 30 June 2019 and an interim dividend of RM0.018 per ordinary share for the financial year ended 30 June 2020. The RM0.018 shall amount to a dividend yield of approximately 5% for the financial year ended 30 June 2020.

**(viii) What is the order book for managed telco network services? What the Company expects from managed telco network services in year 2021?**

The order book was about RM200.0 million to be deployed for the next three (3) years.

**(ix) How is the process of transfer listing to the Main Board on Bursa Malaysia Securities Berhad?**

The Board will consider and deliberate the transfer of listing to Main Board of Bursa Malaysia Securities Berhad in due course.

**(x) Will the Company go into e-wallet business?**

The e-wallet business is a highly competitive market as more than forty (40) licenses have been issued by the Central Bank of Malaysia. Given the saturated e-wallet market at present, Company is unlikely to venture into the e-wallet business.

**(xi) How is the collaboration between REDtone and U-Mobile?**

The Management has constantly considered the possibility of collaboration with U-Mobile to roll out new and exciting solutions for the customers and will continue to explore with U-Mobile on the growth and yield opportunities.

**(xii) How many orders has REDtone already received for JENDELA?**

REDtone is one of the players licensed by the Malaysian Communications and Multimedia Commission in the implementation of the universal service provision ("USP") projects. Hence, we do expect to play a role in the USP projects roll-out.

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**(xiii) Investment of the subsidiary in Indonesia instead of tele-medicine in China**

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The e-economy or e-health is growing and the Company has invested in this area in the past. The Company has a niche to remain competitive in the market coverage of Asia and South East Asia regions. As it would require different skillsets to penetrate the China market, the Company has decided to continue its focus on the regions of South East Asia and South Asia.

The winning of RM130.0 million consortium contract to provide nationwide medical imaging, filmless radiology information system infrastructure and network connectivity to 20 public hospitals in Sri Lanka, is the testimony of the efforts of the Group.

**(xiv) Reason for the Company stay with traditional managed network services**

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The industrial digital services and MTNS are gaining traction in the market. For instance, REDtone Smart Farming solutions provide an integrated Internet of Things (IoT) platform that allows farmers to leverage sensors, smart gateways and monitoring systems to collect information, control various parameters on their farms and analyse real-time data in order to make informed decisions.

The data collected will be stored in the cloud. With the collected and stored data, the Company is able to continue its exploration of new technology applications especially in IoT, big data analytics and artificial intelligence in various industry such as agriculture and healthcare.

**(xv) Strategies for 5G spectrum**

5G technology would entail the deployment of more cell towers, as 5G cell towers are the key ingredient in getting ultra-fast mobile networking into the hands of users.

The construction and maintenance of cell towers are labour intensive. Hence, this presents opportunities to the Company as telecommunications service provider, in providing connectivity to the customers and also to participate in 5G spectrum allocation.

**(xvi) Plan for industry digital services**

Industry digital services is regarded as a rather new industrial service solution. The Company is one of the forerunners in Malaysia to provide virtual reality, tele-radiology and smart farming solutions. It would take time for the Company to generate revenue from these business segments. Nonetheless, the Company will remain steadfast in continuing the growth momentum in these segments.

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**(xvii) Ways to capitalise East Malaysia internet accessibility and rural areas**

The current USP project opportunities for the Company in East Malaysia mainly relates to the internet accessibility in the rural areas.

As almost half of the workforce of the Group is based in East Malaysia, it was highlighted that the capacity and competency built-up in the last ten (10) years, had paved the way to position the Company strategically in capturing the opportunities in East Malaysia.

**(xviii) Sri Lanka e-health contract worth about RM130 million, of which only 10% - 20% under REDtone and the remainder was under other business partners**

The Sri Lanka e-health contract is managed by REDtone Mex Sdn. Bhd, which has been re-classified as an associated company of REDtone, although REDtone continues to hold a 56% stake in REDtone Mex Sdn. Bhd. Nevertheless, the share of profits in the Sri Lanka e-health contract is significant to the bottom-line of the Company.

**(xix) The way to put RM100 million cash and cash equivalents into good use and consideration on merger and acquisition to fuel the growth of the Company**

The Company is constantly looking into ways to maximise the returns from its cash flows available at any point in time. The Company is not limited to merger and acquisition opportunities, such as industry consolidation especially in Malaysia, taking into consideration of the organic growth and inorganic expansion plans of the Company.

**3. POLL VOTING**

Datuk Seri Chairman announced that the voting session would continue for another 10 minutes to allow the shareholders, corporate representatives and proxies to complete their voting via the RPV facility.

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

The Meeting ended at 11:40 a.m.

2 December 2020

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

Attn.: Mr Devanesan Evanson

Dear Sir,

**REDTONE INTERNATIONAL BERHAD (“REDtone”)  
18<sup>TH</sup> ANNUAL GENERAL MEETING (“AGM”) HELD ON WEDNESDAY, 2  
DECEMBER 2020**

We refer to your letter dated 27 November 2020 and the questions raised with regards to REDtone’s Annual Report for the financial year ended 30 June 2020 and are pleased to furnish our replies to your queries as below. We are also pleased to inform that the same responses were presented during our AGM held on 2 December 2020.

**Operational & Financial Matters**

1. 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 (Page 17 of Annual Report – AR).
  - (a) If REDtone is the only service provider in the industry to provide infrastructure integration expertise, does it mean that the Company is a monopoly or in a monopolistic position to secure business?
  - (b) What is the prospect and market size for such business?

## **REDtone's reply:**

- (a) REDtone is the only Service Provider that offers multiple last mile technologies such as Wireless Point-to-Point, Fibre, Satellite, LTE (4G), ADSL, WiMAX and Microwave. This enables us to provide infrastructure integration expertise and broadband on demand. All the data solutions that we offer to our customers are customised according to their needs and demand. Nevertheless, there are also other players in the industry offering different types of data connectivity solutions and packages. As this is a growing and highly competitive market, we differentiate ourselves by value adding our data solutions with voice, cyber security and managed security solutions.
  - (b) COVID-19 pandemic has definitely accelerated digital adoption and stirred up demand for infrastructure, be it data centre or data connectivity services. To this end, we believe that the addressable market for REDtone, as a challenger brand in this space, is expanding too. We are cautiously optimistic on our future prospects going forward.
2. 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 Managed Telecommunications Network Services ("MTNS") segments (Page 17 of AR). For MTNS, RM77.3 million out of RM173.9 million was inter-segment revenue. Revenue for Industry Digital Services (IDS) was only RM3.5 million (Page 134 of AR).
- (a) Why was there such a high reliance on inter-segment revenue for MTNS? How has the Company strategized to grow its external revenue?
  - (b) What is the prospect and plans for IDS as its revenue was still very low?

## **REDtone's reply:**

- (a) The bulk of the MTNS revenue was derived from MCMC's USP project, such as TIME 3 Extension (Phase 3), which was awarded to our subsidiary, REDtone Engineering & Network Services Sdn Bhd ("RENS"). However, RENS requires certain engineering expertise from another subsidiary. Hence, there was a higher amount of inter-segment revenue for MTNS. It is good and normal to have companies capable of delivering different portion of the work within the Group to retain full benefits of the awarded project.

RENS has built a reputation of being able to deliver the required services and the company has been consistently participating in all relevant bidding process on projects. This is the better arrangement to grow our external revenue. Besides MCMC's USP project, we are also one of the largest mobile engineering services providers for mobile network operators.

- (b) Our IDS solutions encompass cloud infrastructure, Virtual Reality (VR), Internet of Things (IoT) smart farming as well as teleradiology.

The revenue contribution remains low, but it is getting good traction of growth during the year. Our IDS business plan is to capture new opportunities that are continuously emerging from the rapid growth of digital optimization and transformation, as well as the Government initiatives in integrating digital technologies into all areas of its economy in positioning Malaysia as the “Heart of Digital Asean”.

3. The Group registered a profit before tax of RM19.7 million in FY2020 (FPE 2019: RM33.6 million). The lower profit before tax recorded during the financial year was also attributed to the impairment loss on intangible asset amounting to RM24.7 million (Page 17 of AR).

Is there a likelihood of reversing the impairment loss? If so, under what circumstances?

**REDtone’s reply:**

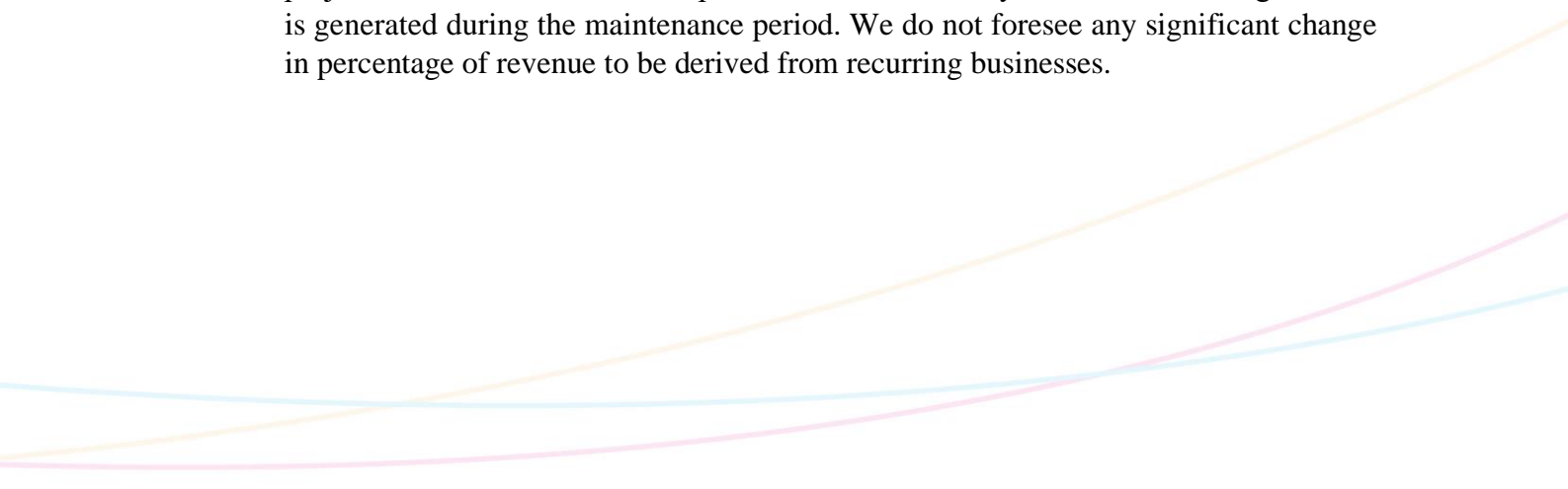
The likelihood of reversing the impairment loss is dependent on the final decision on the spectrum allocation policy by MCMC prior to the expiry on 31 December 2021. The Group has provided for the said impairment based on prudence ground and in accordance with the requirements of MFRS. We do not preclude the possibility of reversal of the said impairment in future since REDtone has good past track record and stands an equal chance to be re-allocated the spectrum.

4. The Board expects the contributions from its MTNS segment to remain significant while data services for enterprise market would continue to be the main focus in extracting growth from recurring businesses (Page 18 of AR).

What is the Group’s targeted percentage of revenue to be derived from recurring businesses and what is the timeline?

**REDtone’s reply:**

Most of REDtone’s revenues are recurring in nature. In the past, the yearly recurring revenue contribution was in the range of between 60% and 80%. Even for the MTNS projects, it is based on “build & operate” model for 3 to 5 years where recurring revenue is generated during the maintenance period. We do not foresee any significant change in percentage of revenue to be derived from recurring businesses.





5. 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 namely REDtone Network Sdn. Bhd., Sea Telco Engineering Services (Sarawak) Sdn. Bhd., REDtone MEX Sdn. Bhd. (Page 108 of AR).

What were the reasons for their losses and when are they expected to turn profitable?

**REDtone's reply:**

The reasons for the losses in REDtone Network Sdn. Bhd. ("RTN") and Sea Telco Engineering Services (Sarawak) Sdn. Bhd. ("STE SRWK") were mainly due to the statutory costs incurred for maintaining the companies. For REDtone MEX Sdn. Bhd. ("REX"), the losses were mainly due to the impairment loss on software technology amounting to RM10.3 million.

RTN and STE SRWK are currently dormant. Barring unforeseen circumstances, REX is expected to turn profitable when the company starts to recognize the revenue contribution from a project valued at RM130 million in Sri Lanka. The said project was delayed due to the COVID-19 pandemic.

6. Group revenue declined from RM211.4 million for financial period ended 30 June 2019 to RM177.9 million in FY2020. (Page 56 of AR). Trade receivables increased sharply from RM29.9 million as at 30 June 2019 to RM52.0 million as at 30 June 2020 (Page 112 of AR).

What were the reasons for the sharp increase in trade receivables although revenue has declined significantly? Is there a need to review the Group's credit risk management policy?

**REDtone's reply:**

The reasons for the sharp increase in trade receivables was mainly due to the completion of work up to the billable milestone for MCMC's projects. As explained in Note 21 of the AR, contract assets are transferred to receivables when the right becomes unconditional. Therefore, a corresponding reduction was recorded in the contract assets.

The Group's credit risk management policy remains effective. We maintain strict control over the outstanding receivables and have a Credit Control Department to review and monitor all outstanding receivables to minimize the credit risk.

7. 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 (Page 114 of AR).

What has the Board done to mitigate the credit concentration risk?

## REDtone's reply:

The concentration of credit risk for the two customers is mainly related to MCMC's projects. The credit rating for MCMC is high. However, the payment and credit risk will only arise if the Group fails to deliver the required services according to the specifications. The Group has a proven track record in delivering good services to MCMC.

## Corporate Governance Matters

1. For FY2020, YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail, the Chairman/ Non-Independent Non-Executive Director attended 3 out of 5 Board meetings (Page 28 of AR).

Please explain why YAM Tunku Tun Aminah Binti Sultan Ibrahim Ismail was absent from two of the Board meetings as she is expected to have the time commitment to carry out her duties as a director.

## REDtone's reply:

YAM Tunku Tun Aminah acts as an advisor to the Company and, together with the Group Chief Executive Officer/Executive Director, leads the Group in its strategic direction and planning. Her Royal Highness constantly keeps in touch with the Board and is available for consultation at all times, not only during Board meetings.

YAM Tunku Tun Aminah was not able to attend the Board meetings held on 3 October 2019 and 20 February 2020 as she had unforeseen engagements on those days. Nevertheless, our Directors are fully confident of her commitment and dedication to the Board and the Group.

We trust that the above have clarified the questions raised.

Yours faithfully,  
For and on behalf of  
**REDtone International Berhad**



**Lau Bik Soon**  
**Group Chief Executive Officer**