SMTRACK

ANNUAL REPORT 2019

STAYING A STEP AHEAD
FOR A BETTER FUTURE

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SMTRACK

CORPORATE INFORMATION

BOARD OF DIRECTORS

Azmi Bin Osman
(Executive Chairman)

Datuk Tan Choon Hwa (JP, JMK)
(Executive Director)

Chow Hung Keey (Resigned on 5 November 2019)
(Senior Independent Non-Executive Director)

Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019)
(Independent Non-Executive Director)

Ng Swee Tuo (Appointed on 21 June 2019)
(Independent Non-Executive Director)

Dato Haji Rosly Bin Abas (Appointed on 8 November 2019)
(Independent Non-Executive Director)

Mahnorizal Bin Mahat (Appointed on 8 November 2019)
(Senior Independent Non-Executive Director)

Anthony Goh Shee Hiang (Resigned on 24 December 2018)
(Independent Non-Executive Director)

Zheng, ZhuoXuan (Resigned on 25 March 2019)
(Independent Non-Executive Director)

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: (603) 22415800
Fax: (603) 22825022

HEAD OFFICE

Suite 7.01A, Level 7
The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan
Tel: (603) 2201 4131
Fax: (603) 2201 9414
Website: http://www.smtrackberhad.my
Email: info@smtrackberhad.my

AUDIT & RISK MANAGEMENT COMMITTEE

Chow Hung Keey *(Chairman)* (Resigned on 5 November 2019)
Anthony Goh Shee Hiang *(Member)* (Resigned on 24 December 2018)
Zheng, ZhuoXuan *(Member)* (Resigned on 25 March 2019)
Terence Cheah Eu Lee *(Member)* (Appointed on 20 March 2019 and Resigned on 20 August 2019)
Ng Swee Tuo *(Member)* (Appointed on 21 June 2019)
Dato Haji Rosly Bin Abas *(Member)* (Appointed on 8 November 2019)
Mahnorizal Bin Mahat *(Member)* (Appointed on 8 November 2019)

NOMINATING COMMITTEE

Chow Hung Keey *(Chairman)* (Resigned on 5 November 2019)
Anthony Goh Shee Hiang *(Member)* (Resigned on 24 December 2018)
Zheng, ZhuoXuan *(Member)* (Resigned on 25 March 2019)
Terence Cheah Eu Lee *(Member)* (Appointed on 20 March 2019 and Resigned on 20 August 2019)
Ng Swee Tuo *(Member)* (Appointed on 21 June 2019)
Dato Haji Rosly Bin Abas *(Member)* (Appointed on 8 November 2019)
Mahnorizal Bin Mahat *(Member)* (Appointed on 8 November 2019)

REMUNERATION COMMITTEE

Azmi Bin Osman *(Chairman)*
Chow Hung Keey *(Member)* (Resigned on 5 November 2019)
Anthony Goh Shee Hiang *(Member)* (Resigned on 24 December 2018)
Terence Cheah Eu Lee *(Member)* (Appointed on 20 March 2019 and Resigned on 20 August 2019)
Dato Haji Rosly Bin Abas *(Member)* (Appointed on 8 November 2019)
Mahnorizal Bin Mahat *(Member)* (Appointed on 8 November 2019)

AUDITORS

Jamal, Amin & Partners (AF 1067)
No. 60-2B, 2nd Floor, Jalan 2/23A
Off Jalan Genting Klang
Taman Danau Kota, Setapak
53300 Kuala Lumpur
Tel: (603) 4142 1626
Fax: (603) 4142 1601

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
(Formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7890 4700
Fax: (603) 7890 4670

PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)
Malayan Banking Berhad (3813-K)

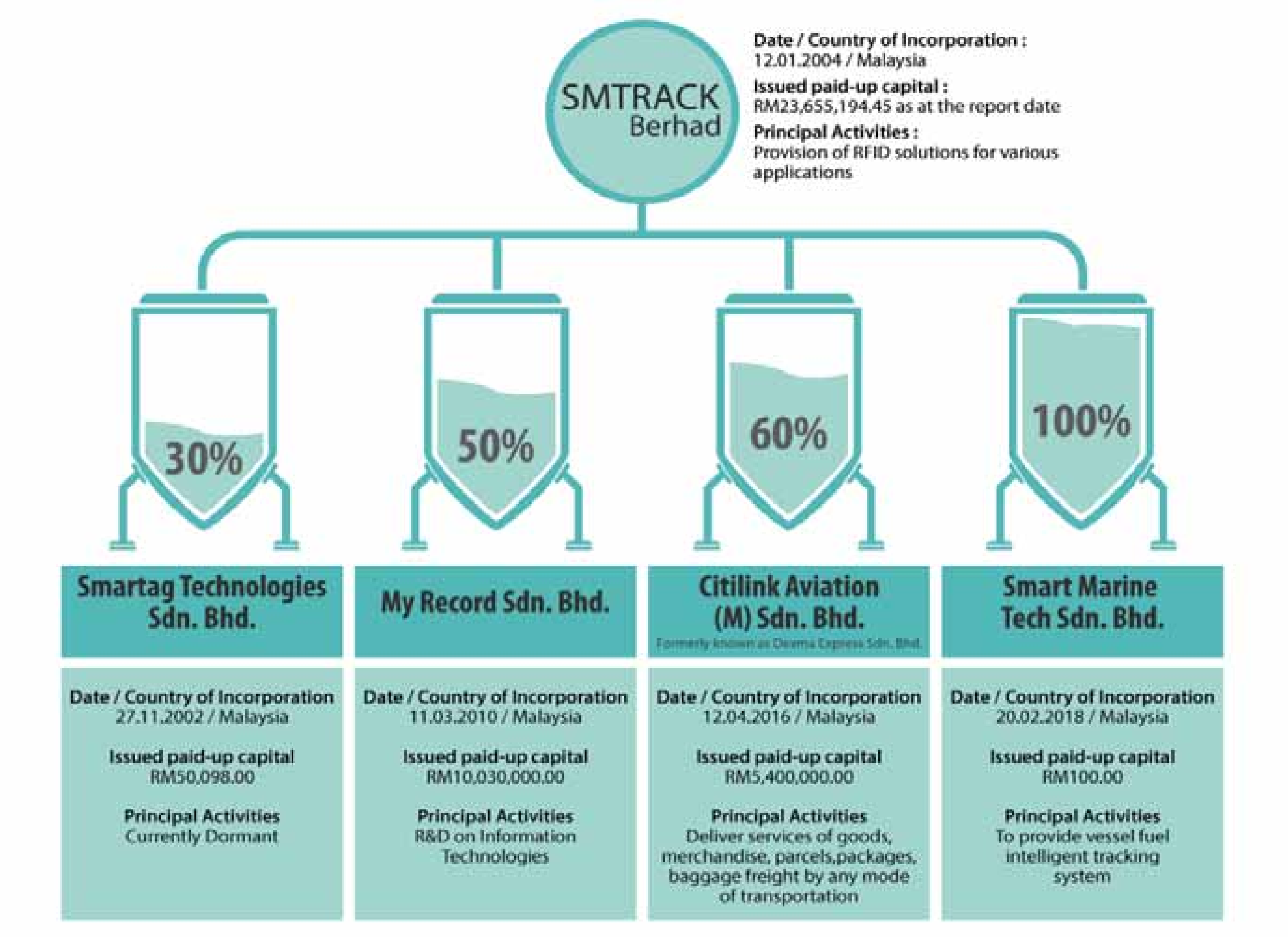
STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Name: SMTRACK
Stock Code: 0169
Sector: Technology

CORPORATE PROFILE

SMTrack Berhad ("**SMTrack**" or the "**Company**") was incorporated in Malaysia on 12 January 2004 under the Companies Act, 1965 as a private limited company under the name of Smartag Solutions Sendirian Berhad and was subsequently converted into a public limited company on 11 June 2008. The Company changed its name from Smartag Solutions Sendirian Berhad to SMTrack Berhad on 2 May 2014.

The corporate structure of SMTrack and its subsidiaries and jointly controlled entity ("**Group**") is as follows:



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

Another year has passed and I am pleased to present, on behalf of the Board of Directors of the Company, the Annual Report and the Audited Financial Statements for the financial year ended 31 July 2019 of SMTrack Berhad.

During the year, the Management is reiterating our commitment to cultivate revenue growth of higher profit margin products, driving cost down, efficiency savings and improve our Current Ratio. Our Group will continue focusing on creating values for all stakeholders with the regular evaluation of the effectiveness of the Group strategies. This will improve the core business models and achieve sustainable profitability in the long run.

The Group is confident that it could re-built in the business after the acquisition of Citilink Aviation (M) Sdn Bhd (Formerly known as Dexma Express Sdn Bhd) ("CASB"). The acquisition will enable SMT to venture into the Air Carriage Services and is envisaged to have a new stream of income arising from the acquisition. SMT intends to promote its RFID Technologies to be applied into the airline operations such as baggage and ticketing.

On 22 July 2019, the Company had announced its proposal to undertake a private placement comprising the issuance of up to 14,890,000 new ordinary shares ("Placement Shares") representing not more than ten (10) per centum of the total number of issued to third parties to be identified ("Proposed Private Placement"), and made an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities. The Group will raise approximately RM3 million from the Proposed Private Placement whereby the proceeds will be utilised for purchase of CASB, working capital and expenses relating to Proposed Private Placement.

On Behalf of the Board of Directors, I wish to extend my thanks to my fellow Board members for their valuable advice and contributions and staff and management in their dedication in carrying out their duties over the past year I also wish to extend my gratitude and appreciation to our customers, shareholders, financial institution for your continuous support and confidence placed in us.

Further information of SMT's performance in the financial year is detailed in the Management Discussion and Analysis on page 6.

Azmi Bin Osman
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors of SMT, it is my pleasure to present to you the Management Discussion and Analysis(“MDA”) on the Group. The objective of this MDA is to provide shareholders with a better understanding and an overview of the Group’s business, operations, financial position in the year 2019 and the outlook for the year 2020.

OVERVIEW

SMT, a MSC status company, is listed on the ACE Market of Bursa Securities under the Industrial Products category. The Company has an issued share capital of RM23,655,194 comprising 176,690,656 shares at 07/11/2019. Accordingly, the concept of “authorised share capital” and “par value” have been abolished.

FINANCIAL RESULTS REVIEW

The Group recorded a revenue of RM1.698 mil for Financial Year ended (“FYE”) 2019 as compared to RM1.510 mil registered in FYE2018. This represent an increase of RM0.188 mil or 12.45%. The Group registered a loss after tax and controlling interest of RM1.776 mil as compared to RM3.871 mil in FYE2018. The decrease in loss is due to the fully provided depreciation and reduction in the administrative expenses.

Total current assets of the Group decreased from RM9.310 mil in FYE2018 to RM9.229 mil in FYE2019 due to additional impairment of other receivables.

The Group’s other payables increased by RM1.012 mil to RM2.625 mil from RM1.613 mil in previous year. However, trade payables remained relatively unchanged compared with previous year.

The Group currently has no short term and long-term borrowings and has funds for working capital requirement.

BUSINESS OVERVIEW, GROWTH & STRATEGY

The Group is principally involved in RFID solutions products. The products are highly in demand due to its uniqueness in design and not much competitive products in the market. The Company aim to diversify into other market segment in order to increase the Group revenue. Initiatives are being planned to increase the staffs in sales and marketing department. Though it is in a planning stage, the Group is optimistic that by increasing staff, more sales will be registered and is a boost to Company’s aspiration to become regional RFID solution providers.

FUTURE PROSPECTS

The Management will continue its efforts on operational efficiency and effective cost management in order to maintain the Group’s competitive edge in the RFID industry. Besides maintaining the RFID businesses, the Group will continue to seek new business opportunities and projects in other sector in order to diversify the revenue base. The Group has acquired majority stake in an entity that is involved in the aviation. The Group is positive that with the acquisition, its revenue will be enhanced in future. The Group also has plan to diversify into other sectors such as construction industries.

As expected, it is a tough year for most companies in Malaysia after a change of new government in year 2018. But the Group is optimistic towards Malaysia economy outlook for the ensuring year. Moving forward, we expect the financial performance of the Group will be improved by gradual executing the Group’s strategic businesses.

DIRECTORS' PROFILE

AZMI BIN OSMAN
Executive Chairman
Age 43, Male, Malaysian

Azmi Bin Osman was appointed to the Board on 9 November 2017 and was subsequently re-designated as Executive Chairman on 22nd November 2018.

He holds a Bachelor of Arts in Accountancy from University of Humberside, Hull, United Kingdom. He is a member of the Malaysia Institute of Accountants, Member of the Association of Chartered Certified Accountants and Member of the Mongolian Institute of Certified Public Accountants.

He started his career as a Team Leader and Country Director in 2000 with KPMG Kuala Lumpur and from 2006 till 2009 he was the Audit Partner of Tentsver Orgil Audit LLC. He was the Managing Partner and Shareholder of CNM Audit LLC from 2010 till 2014. He left CNM Audit LLC and joined Asian Metal Exploration Consultancy Sdn Bhd as the Chief Financial Officer till 2016. From 2016 till 2017, he is the Financial adviser of Malaysia Smelting Corporation Berhad. He currently the Managing Partner of ABO Consultancy Sdn Bhd, Advisor of Crowe Horwath Mongolia TMZ LLC and Managing Partner of Wall Bridge Consulting LLC.

He is presently sit on the board of directors of Multi Sports Holdings Ltd.

DATUK TAN CHOON HWA (JP, JMK)
Executive Director
Age 61, Male, Malaysian

Datuk Tan Choon Hwa (JP, JMK) was appointed to the Board on 19 May 2016.

Datuk Tan Choon Hwa (JP, JMK) is a businessman with (22) years of experiences in various industries such as Timber, Mining, Hotel Resort, Housing, Land Development and Finance Investment Holding. He is the Executive Chairman of TCH Resources Group. He holds Directorships in Wazlian Group, he also holds other chairmanship in several association included President Malaysia-China Chamber of Commerce (Kelantan Branch) and Centre Committee etc. He is the adviser to Asean China Chamber of Commerce and adviser to China Sino Great Wall Group (listed on China Shenzheng Main Market).

He is presently sit on the board of directors of Ni Hsin Resources Berhad, APFT Berhad and MGB Berhad.

He has been publicly reprimanded for breaching Rule 9.22(1), 9.22(3) and 9.23(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

DATO HAJI ROSLY BIN ABAS
Independent Non-Executive Director
Age 60, Male, Malaysian

DATO ROSLY BIN ABAS was appointed to the board on 8 November 2019. He is currently the Member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Dato Rosly holds Master Degree in Social Science from University Utara Malaysia and Bachelor Degree from Open University Malaysia.

Dato Rosly is a retired police officer with 40 years experience in issue pertaining to security matters.

He joined royal Malaysia police in 1979 and has held various post in Special Branch PDRM. His last post was Deputy Director of Special Branch Bukit Aman with the rank of Commissioner Police (CP). He has a vast experience in national security fields and investigation.

MAHNORIZAL BIN MAHAT
Senior Independent Non-Executive Director
Age 43, Male, Malaysian

MAHNORIZAL BIN MAHAT was appointed to the Board on 8 November 2019. He is currently the Chairman of Audit and Risk Management Committee and Nomination Committee and a Member of Remuneration Committee.

He holds Bachelor Degree in Accounting from University Tenaga Nasional.

He started his career in year 2002 as Executive in Sales and Marketing Department for RHB Bank Berhad and subsequently as Manager, Corporate Finance Department with MCCM Management Sdn. Bhd. which involved in financial restructuring with 23 financial institutions and until year 2009. During the period from May 2009 to October 2011, Mahnorizal served in various department for a premier logistic company and DRB-Hicom Berhad dealing with strategy, business development and operational restructuring.

In November 2011 he joined Kontena Nasional Global Transport Sdn Bhd as Chief Operating Officer. He subsequently joined Malaco Mining Sdn Bhd as Financial Controller until current. He also the Subject Matter Expert for Front and Sulivan Malaysia Sdn. Bhd., a position which he is currently holding. His area of expertise and experience includes the provision of advisory and consultancy services, various aspects of accounting, restructuring and business development.

He is also a volunteer and acts as the Treasurer for Malaysia Cricket Association. He is currently a Certified Defensive Driving Trainer and Transport Safety Management for major oil and gas company.

NG SWEE TUO
Independent Non-Executive Director
Age 47, Female, Malaysian

Ng Swee Tuo was appointed to the Board on 21 June 2019. She is currently the member of Audit and Risk Management Committee and Nomination Committee.

Ms. Ng Swee Tuo is in finalising of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

She started her career as an Admin cum Account Executive in 1996 with Asatec Sdn Bhd (Consultancy of civil and mechanical, architectural, contractor company) and from 2000 till 2003 she was a Human Resource Executive of Safari Office System Sdn Bhd. She joined Perbandaran Pengurusan Victoria (PPV) in 2013 and currently is an employee in the Admin and Account Department of PPV. Ms. Ng have experience in real estate industry and running of a tuition and day care centre. She also has experience in training of staff.

Notes to Directors' Profile:

1. Family Relationship
   None of the Directors have family relationship with any Director and/or major shareholders of the Company.

2. Conflict of Interest
   None of the Directors have any conflict of interest with the Company.

3. Conviction of Offences
   None of the Directors have any conviction for offences other than traffic offences within the past 5 years.

4. Attendance at Board Meetings
   The details of the Directors' Attendance at Board Meetings are set out on page 19 of this Annual Report.

5. Shareholdings
   The details of the Directors' interest in the securities of the Company is set out on page 36 of this Annual Report.

6. Directorship in other public companies
   Save as disclosed above, none of the Directors hold any directorship in public companies.

SUSTAINABILITY STATEMENT

Business Philosophy and Vision

SMTrack Berhad ("SMT") was incorporated in Malaysia under the Companies Act, 1965 on 12 January 2004 as a private limited company under the name of Smartag Solutions Sdn. Bhd. Subsequently, on 11 June 2008, it converted to a public limited company. The company changed to its present name on 02 May 2014.

SMT is an investment holding company and involve in provision for RFID solutions for various applications. Its subsidiaries My Record Sdn. Bhd. providing R & D on Info Tech and Smart Marine Tech Sdn. Bhd. in vessels fuel efficient tracking systems. The Group's core business is in the RFID solutions.

OUR VALUES

Mission

- To become the "unique od Choice" by providing our customers with quality products at most competitive price.
- Maximize the customer – with implementation of stringent process control and cost control system in place.

QUALITY

SMT have built quality checks in each and every step of the RFID solutions process. Stringent process controls are employed up to final inspection of the finished product solutions. As an added value, we are equipped with a full set of quality control equipment. Coupled with highly skilled manpower for sound judgement and expertise, The Company thrives to eliminate nonconformance in our quest to achieve maximum returns.

While ensuring that investors' needs are taken care of, SMT also practices good business ethics and transparency, taking into consideration the welfare of its employees while ensuring an inclusive and holistic approach towards building a sustainable business that is both beneficial to the society the environment. In line with the United Nation's 17 Sustainable Development Goals, SMT made every possible effort to include these SDGs into our daily operations.

Corporate Governance

The Company conducts business responsibly and fairly, adhering to the long-standing business philosophy of providing our customers with the highest quality at the most competitive price. The Company upholds the principles of corporate governance, the Code of ethic and compliance and adheres to anti-corruption and anti-trust practices. Corporate Governance is incorporated into our Company's working culture to ensure sustainability.

Corporate Social Responsibility (CSR)

SMT's CSR activities reflects the ever-changing needs of the society by holding dialogues with its employees and stakeholders to build trust and to better the overall conditions of the existing communication structure. The Company recognizes the need to improve social conditions by working in partnership with the local communities. When implementing policies, the Company takes into consideration the social, economic and environmental impact to the society to generate better social values.

Education / Quality Training

The Company sends technical staffs for periodical trainings to upgrade their skills. This will enhance their performance and productivity while at the same time, increase their value and future marketability. Our Company utilises an integrated and accurate procurement and accounting management system which eases streamlines the workflow.

The Company is committed to staff development by proving on-the-job training and external training programs for all level of staff in order to improve their skills and knowledge for their career advancement. The Company reviews the adequacy and suitability of the training requirements of the staff on a regular basis.

Climate Action, Green Effort and Waste Management

As climate change affects everyone, the Company plays an active role in promoting a green and healthy living. Forty percent of the lights are energy-saving LED lights and efforts are being made to reduce wastage further in the organization. Water and electricity consumption are monitored closely; and technical errors are minimised to prevent unnecessary use of materials and resources. Our employees are also reminded to reduce stationary and paper usage to protect the environment.

The Company recognises the importance of pollution prevention and environmental protection by reducing the usage of the hazardous compounds in materials.

Employee Welfare, Well-being, Gender Equality and Anti-Discrimination Policies

The Company adopts a non-discriminatory policy for hiring and promoting employees. Employees are the most important assets to the Company; therefore, we offer attractive benefits packages to retain and attract staff with relevant experience and expertise to continue serving the company. Our Human Resource Department also offer jobs to persons with disabilities, especially to those who are autistic. To recognize the efforts and to boost the morale of our employees, the Company holds annual dinners in appreciation of all of our employees who are have tirelessly worked to meet the demands of their jobs. The annual dinner provides a chance for staff from all departments and subsidiaries to bond and forge teamwork.

Employees are welcome to give their suggestions and feedback through the employee suggestion box. The Human Resource Department will then look into these suggestions, collate and escalate them to the Senior Management and the Board of Directors. If viable, these will be implemented. The Company encourages a bottom-up approach where input from employees are highly appreciated.

Health and Safety

SMT – rented office at a strategic location in the urban area fully equipped with CCTVs and fire extinguishers to ensure safety. The building management are responsible for contributing towards a safe working environment including fostering safe working attitudes to avoid workplace accidents.

No smoking signs are placed at intervals, and the floorplan of our premises are prominently displayed for evacuation purposes. The Company also carry out mock fire drills and mock emergency situations to prepare our employees in case of unforeseen circumstances such as fire, chemical spill, explosion, medical emergency and injury.

Economic Growth

While vulnerable US and China trade ties continue to threaten economic stability globally especially in the manufacturing sector, SMT's diversified interests provide for greater economic value to the Company. The aviation industry in which SMT tied up with a local company will provide an increase in the growth of revenue.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Malaysian Code of Corporate Governance defines corporate governance as "the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders."

The Board of Directors remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance ("MCCG[1]) during the financial year ended 31 July 2019. This statement is prepared in compliance with Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("AMLR") and it is to be read together with the CG Report 2019 of the Company which is available on SMT's website at www.smtrackberhad.my

CLEAR ROLES AND RESPONSIBILITIES

Board of Directors

The Board's pivotal role is to lead and establish the Group's vision, provision of strategic direction, formulation of policies and enhancement of resources for the Group. The Board takes into consideration the interests of all stakeholders in the decision making process so as to ensure the Group's objectives of creating long term shareholder value are met.

An effective Board is the one that made up of a combination of executive directors with intimate knowledge of the business and non-executive directors from diversified industry/business background to bring broad business and commercial experience to the Group. The Group is led by a strong and experienced Board under the Chairman.

The Board placed great importance on the balance of its Independent Directors where they serve as an essential source of impartial and professional guidance to protect the interest of the shareholders. The Independent Non-Executive Directors are professionals of high caliber and credibility who play a pivotal role in corporate accountability by contributing their knowledge, advice and experience towards making independent judgment on issues of strategies, performance, resources and standards of conducts.

Board Role and Responsibilities

The Board consists of five (5) members comprising one (1) Executive Chairman, one (1) Executive Director and three (3) Independent Non-Executive Directors. This is in compliance with the AMLR which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors.

The Board is primarily responsible for charting and reviewing the strategic direction of the Group. The Board delegates and monitors the implementation of these directions to the management.

The responsibilities of the Board are inclusive of but not limited to:

- Reviews and adopts a strategic and business plan for the Group;
- Oversees the conduct of the Group's business and evaluates whether the business is being properly managed;
- Identifies principal risks and ensure the implementation of appropriate systems to manage these risks in order to achieve a proper balance between risk incurred and potential returns to shareholders;

- Reviews the adequacy and the integrity of the Group's internal control systems for compliance with the applicable laws, regulations, rules, directive and guidelines. The Board ensures that there is a satisfactory reporting framework on internal financial controls and regulatory compliance;
- Examines its own size and composition to determine the impact on the Board's effectiveness. The Board ensures it has enough Directors to discharge its responsibilities and perform its functions;
- Receives and seeks relevant information for the assessment of the performance of the Group;
- Establishes the Group's authority limits which outline the materiality of any transaction entered into by the Group and determine its approving authorities; and
- Ensures that the Group's financial statements are true and fair, and comply with all applicable laws and governmental regulations applicable to the Group's business and its conduct.

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to Management's responsibilities, which the Executive Director is aware and is responsible for meeting. The Board had an understanding of matters reserved to itself for decision, which includes investment policy, approval for major capital expenditures, strategic planning, overseeing financial and operational performance, monitoring risk management processes, merger and acquisition activities and reviewing the adequacy of internal control systems.

The presence of Independent Non-Executive Directors provides a good complementing role to ensure a balance of power and authority. The role of Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined as they provide unbiased and independent views, advice and judgment to take account of interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to approval by the Board. None of the members of the Board has unfettered powers of decision.

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements.

All the Directors have given their undertaking to comply with the Listing Requirements and the Independent Directors have confirmed their independence.

Role and Responsibilities of the Company Secretary

The Company Secretary is a qualified Chartered Secretary (ICSA) and Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretary plays an advisory role to the Board in relation to the Company's Memorandum and Articles of Association, the Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is suitably qualified, competent and capable of carrying out the duties required and has attended training and seminars conducted by relevant regulatory to keep abreast with the relevant updates on statutory and regulatory requirements and updates on the AMLR of Bursa Securities.

The Company Secretary advises the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations, which include amendments on Companies Act, 2016, Malaysian Code on Corporate Governance and AMLR.

The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the AMLR of Bursa Securities. Deliberations during the Board and Board Committees' meetings were properly minute and documented by the Company Secretary.

Board Committees

The Board has established three (3) principal Board Committees, to which it has delegated certain responsibilities, namely the Nominating Committee, Remuneration Committee and Audit & Risk Management Committee. The membership responsibilities, roles and activities of these Committees are described in greater detail in this statement.

Nominating Committee

The Nominating Committee comprises three (3) Independent Non-Executive Directors as follows:-

	Directors	Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Chow Hung Keey (Resigned on 5 November 2019) (Senior Independent Non-Executive Director)	1/1	100
Members:	Ng Swee Tuo (Appointed on 21 June 2019) (Independent Non-Executive Director)	N/A	N/A
	Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019) (Independent Non-Executive Director)	1/1	100
	Zheng, ZhuoXuan (Resigned on 25 March 2019) (Independent Non-Executive Director)	N/A	N/A
	Anthony Goh Shee Hiang (Resigned on 24 December 2018) (Independent Non-Executive Director)	N/A	N/A
	Dato Haji Rosly Bin Abas (Appointed on 8 November 2019) (Independent Non-Executive Director)	N/A	N/A
	Mahnorizal Bin Mahat (Appointed on 8 November 2019) (Senior Independent Non-Executive Director)	N/A	N/A

The Nominating Committee is empowered to bring to the Board, recommendations as to the appointment of any new Executive or Non-Executive Director, provided that the Chairman of the Nominating Committee, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board. In making its recommendation, the Nominating Committee will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

The Nominating Committee meets at least once a year and is directly accountable to the Board.

During the financial year ended July 2019, the Nominating Committee undertook the following:

i) reviewed the composition of the Board and Board Committees and mix of diversity (including gender, ethnicity and age);
ii) assessed the performance of individual Directors and the Board as a whole as part of the Annual Assessment, which covered performance of the Board, Board Committee and individual Directors;
iii) assessed the fitness and propriety of the Directors;
iv) assessed the independence of the Independent Directors;
v) determined and assessed the performance of those Directors who would retire at the forthcoming Annual General Meeting ("AGM") and make recommendation to the Board for their re-election; and
vi) reviewed the training needs of the Directors.

Remuneration Committee

The objectives of the Remuneration Committee is to provide a formal and transparent procedure for developing remuneration policy for Directors, Group Chief Executive Officer/Chief Financial Officer and Senior Management.

The Remuneration Committee meets at least once a year and is directly accountable to the Board.

The Remuneration Committee comprises one (1) Executive Director and two (2) Independent Non-Executive Directors as follows:

	Directors	Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Azmi Bin Osman (Executive Chairman)	1/1	100
Members:	Chow Hung Keey (Resigned on 5 November 2019) (Senior Independent Non-Executive Director)	1/1	100
	Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019) (Independent Non-Executive Director)	N/A	N/A
	Anthony Goh Shee Hiang (Resigned on 24 December 2018) (Independent Non-Executive Director)	N/A	N/A
	Dato Haji Rosly Bin Abas (Appointed on 8 November 2019) (Independent Non-Executive Director)	N/A	N/A
	Mahnorizal Bin Mahat (Appointed on 8 November 2019) (Senior Independent Non-Executive Director)	N/A	N/A

The Remuneration Committee recommends to the Board the policy framework for Executive Directors and Non-Executive Directors. Directors' fees are subject to shareholders' approval. Additional allowances are paid to Non-Executive Directors in accordance to the number of meetings attended during the financial year.

The Remuneration Committee also review Executive Directors' scope of service contract (if any) and any major changes in remuneration policy and employee benefit structures throughout the Company or Group and if thought fit recommend them to the Board for adoption.

Audit & Risk Management Committee

The Audit & Risk Management Committee ("ARMC") comprises three (3) Independent Non-Executive Directors. During the financial year ended 31 July 2019, the ARMC held a total of five (5) meetings.

The ARMC's terms of reference include the review of and deliberation on the Group's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by internal audit together with the Management's responses thereon.

The Company's Internal Auditors, External Auditors and members of Senior Management attend the meetings at the invitation of the ARMC.

Supply of Information

The Board has timely access to information pertaining to the Group. Quarterly Board meetings are prescheduled with additional meetings convened as and when urgent issues and/or important decisions are required to be addressed between the scheduled meetings. Board meetings are structured with a pre-set agenda which encompasses all aspects of matters under discussion. The Board papers are circulated to directors at least seven (7) days in advance prior to each Board meeting. Board papers consisted of Notice and Agenda of the Meetings supported by working papers and reports would be sent to the Directors. This will enable the Directors to have sufficient time to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

In addition, there are matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and control structure of the Group including key policies, procedures and authority limits.

In furtherance of their duties, the Board has unrestricted access to any information pertaining to the Group as well as to the advice and services of the Company Secretary and independent professional adviser, whenever appropriate, at the Group's expense.

Directors' Code of Ethics

The Company has established a code of conduct and ethics that provides an overview of the various policies, procedures and guidelines that have been adopted by the Company to steer acceptable employment practices, ethical values and conduct for behavior of employees, which is available on the Company's website.

Appointments to the Board and Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders after their appointment. The Articles also provide that the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election at each Annual General Meeting.

STRENGTHEN COMPOSITION

The Group take serious effort to ensure the Board comprises members with suitable academic and professional qualifications, skills, expertise and wide exposure.

The Nomination Committee assesses the strength, effectiveness and the level of diversity of the Board in determining the need for proposing new appointment of Director. As and when necessary, recommendation will be made to the Board for consideration.

In evaluating the suitability of the candidates, the Nomination Committee consider the following factors:

- Qualification, skills, knowledge, expertise and experience;
- Competencies and capabilities;
- Character, personal integrity and reputation;
- Willingness to devote time to effectively discharge his/her duties as Director;
- In the case of candidates for the position of Independent Non-Executive Director, the independence of the candidates and the candidate's ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

Appropriate measures shall also be taken in its selection and recruitment exercise to achieve boardroom diversity, in particular to identify woman candidates with sufficient calibre to be part of the Board.

The Nomination Committee also applies the Directors evaluation criteria and assessment forms as recommended in the Corporate Governance Guide for evaluating and selecting candidates for new directorships.

Directors' Remuneration

- **Remuneration procedure**

The Remuneration Committee reviews the remuneration policy each year with a view to ensure that the policy is fair and able to attract and maintain talent. The Non-Executive Directors' fees are tabled at the Company's AGM.

The Company has adopted the objective as recommended by the Code to determine the remuneration for Directors so as to ensure that the Company attracts and retains suitable Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance. In the case of Executive Directors, the level of remuneration reflects the experience and level of corporate and fiduciary responsibilities borne by the Directors concerned.

The determination of the remuneration of the Executive Directors is a matter for consideration and decision of the Board.

The remuneration of the Directors for the financial year ended 31 July 2019 is as follows:

	Salaries RM	Allowances RM	Fee RM	Others RM	Total RM
Executive Directors Azmi Bin Osman	0	0	170,000	0	170,000
Datuk Tan Choon Hwa (JP, JMK)	0	0	60,000	0	60,000
Non- Executive Directors Chow Hung Keey (Resigned on 5 November 2019)	0	0	36,000	0	36,000
Ng Swee Tuo (Appointed on 21 June 2019)	0	0	10,000	0	10,000
Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019)	0	0	0	0	0
Zheng, ZhuoXuan (Resigned on 25 March 2019)	0	0	0	0	0
Anthony Goh Shee Hiang (Resigned on 24 December 2018)	0	0	14,323	0	14,323
Dato Haji Rosly Bin Abas (Appointed on 8 November 2019)	N/A	N/A	N/A	N/A	N/A
Mahnorizal Bin Mahat (Appointed on 8 November 2019)	N/A	N/A	N/A	N/A	N/A

REINFORCE INDEPENDENCE

The Board perform an assessment of its Independent Directors, with a view to ensure the Independent Directors bring independent and objective judgement to the Board and this mitigates arising from conflict of interest or undue influence from interested parties. Where there is a likely conflict of interest position, the Board would take appropriate action to rectify the situation.

Also, in line with the objectives of the MCCG for the Company to seek shareholders' approval for retention of long serving Independent Directors, the Board will seek annual one-tier shareholders' approval for Independent Directors whose tenure has exceeded nine (9) years as well as twelve (12) years respectively.

There is clear separation of powers between the Chairman, and the Chief Executive Officer, and this further enhances the independence of the Board. Should any Director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in the discussions on the matter.

FOSTER COMMITMENT

Time Commitment

Five (5) Board meetings were held during the financial year ended 31 July 2019.

Details of attendance of Directors holding office during the financial year are as follows:-

Directors	**Number of Board Meetings Attended**	**Percentage of Attendance (%)**
Encik Azmi Bin Osman *(Executive Chairman)*	5/5	100
Datuk Tan Choon Hwa (JP, JMK) *(Executive Director)*	4/5	80
Mr. Chow Hung Keey (Resigned on 5 November 2019) *(Senior Independent Non-Executive Director)*	5/5	100
Ms. Ng Swee Tuo (Appointed on 21 June 2019) *(Independent Non-Executive Director)*	1/1	100
Mr. Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019) *(Independent Non-Executive Director)*	2/2	100
Mr. Zheng, ZhuoXuan (Resigned on 25 March 2019) *(Independent Non-Executive Director)*	1/3	33
Mr. Anthony Goh Shee Hiang (Resigned on 24 December 2018) *(Independent Non-Executive Director)*	2/2	100
Dato Haji Rosly Bin Abas (Appointed on 8 November 2019) *(Independent Non-Executive Director)*	N/A	N/A
Mahnorizal Bin Mahat (Appointed on 8 November 2019) *(Senior Independent Non-Executive Director)*	N/A	N/A

Directors' Continuous Professional Development

As an integral element of the process of appointing new Directors, the Nominating Committee ensures that there is an orientation and education programme for new Board members. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks. All Directors have successfully completed the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

The External Auditors briefed the Board members on any changes to the Malaysian Financial Reporting Standard that affect the Group's financial statements during the year. In addition, the Board is briefed by the Company Secretary on changes in laws and regulation. The Directors will continue to undergo other relevant training programmes to keep themselves abreast with the relevant changes in laws, regulations and business development.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board has always endeavour to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the Malaysian Financial Reporting Standards and Listing Requirements. Thus, a balanced and meaningful assessment of the Group's financial performance and prospects are presented primarily through the financial statements in the Annual Report.

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

The Group's quarterly and annual results announcements were within the stipulated time frame, reinforcing the Board's commitment to provide a true and fair view of the Group's operations.

The Board stance on presenting true, fair and comprehensive financial reporting with a balanced and meaningful assessment of the Group's financial performance is reinforced by both the Internal and External Audit functions.

- **Internal Audit**

  The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to a professional service firm, as part of its efforts in ensuring that the Group's System of internal control are adequate and effective. Details of the internal audit function and a summary of its activities, together with the state of the Group's internal control, are given in the Statement on Risk Management & Internal Control as set out on pages 25 to 27 of the Annual Report.

- **External Audit**

  The Group's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of the reliability to users of these financial statements. Where deemed appropriate, the Board may discuss audit findings in the absence of the Management.

The External Auditors will report on any weaknesses in the internal control systems and any non-compliance of the accounting standards that come to their attention during the course of their audit work to the Management and the ARMC.

RECOGNISE AND MANAGE RISKS

The Group has an embedded process for the identification, evaluation, reporting, treatment, monitoring and review of major strategic, business and operation risks within the Group. Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and regulations.

The Board has also established an Internal Audit Function which has an independent reporting channel to the ARMC and is authorised to conduct independent audits on all the departments and offices within the Group and reports the findings to the ARMC quarterly.

The ARMC review, deliberate and decide on the next course of actions and evaluates the effectiveness and efficiency of the internal control systems.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board has set up appropriate corporate disclosure policies and exercises close monitoring of all price sensitive information required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner. In accordance with best practices, the Board would strive to disclose price sensitive information to the public as soon as practicable through Bursa Securities, the media and the Company's website. Price sensitive information refers to any information that, on becoming generally available, would tend to have a material effect on the market price of the Company's listed shares.

Members of the Board and Senior Management with privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. This is in addition to the provisions relating to the "closed period" for dealing in the Company's shares.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Group welcomes dialogues with shareholders and investors to discuss issues and obtain feedback. The Board and Senior Management personnel participate in discussions with shareholders to ensure they are given as accurate and fair representation of the Group's performance and position.

Dialogues and discussions with investors and analysts are conducted within the framework of the relevant Corporate Disclosure Guidelines under the Listing Requirements and comply with the Best Practices in the Code.

In addition, the Audited Financial Statements, Annual Report, Interim Financial Statements together with the Company's announcements and other information about the Group are available on the Company's website www.smtrackberhad.my.

Investors and the public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail or contact our Investor Relation at info@smtrackberhad.my or phone at 03 2201 4131.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit & Risk Management Committee ("ARMC") was established with the objective of assisting the Board of Directors ("Board") in the areas of corporate governance, risk management and financial reporting.

COMPOSITION

The ARMC comprises the following three (3) members of the Board, all the members of the Committee are Independent Non-Executive Directors:-

Chairman: Chow Hung Keey (Resigned on 5 November 2019)
(Senior Independent Non-Executive Director)

Members: Ng Swee Tuo (Appointed on 21 June 2019)
(Independent Non-Executive Director)

Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019)
(Independent Non-Executive Director)

Zheng, ZhuoXuan (Resigned on 25 March 2019)
(Independent Non-Executive Director)

Anthony Goh Shee Hiang (Resigned on 24 December 2018)
(Independent Non-Executive Director)

Dato Haji Rosly Bin Abas (Appointed on 8 November 2019)
(Independent Non-Executive Director)

Mahnorizal Bin Mahat (Appointed om 8 November 2019)
(Senior Independent Non-Executive Director)

SECRETARY

The Company Secretary of SMT acts as the Secretary to the ARMC.

MEETINGS

During the financial year ended 31 July 2019, the ARMC held a total of five (5) meetings. The details of attendance of the ARMC members are as follows:

	Directors	**Number of Meetings attended**	**Percentage of Attendance (%)**
Chairman:	Chow Hung Keey (Resigned on 5 November 2019) (Senior Independent Non-Executive Director)	5/5	100
Members:	Ng Swee Tuo (Appointed on 21 June 2019) (Independent Non-Executive Director)	1/1	100
	Terence Cheah Eu Lee (Appointed on 20 March 2019 and Resigned on 20 August 2019) *(Independent Non-Executive Director)*	2/2	100
	Zheng, ZhuoXuan (Resigned on 25 March 2019) *(Independent Non-Executive Director)*	1/3	33
	Anthony Goh Shee Hiang (Resigned on 24 December 2018) (Independent Non-Executive Director)	2/2	100
	Dato Haji Rosly Bin Abas (Appointed on 8 November 2019) (Independent Non-Executive Director)	N/A	N/A
	Mahnorizal Bin Mahat (Appointed om 8 November 2019) (Senior Independent Non-Executive Director)	N/A	N/A

All meetings to review the quarterly results and annual financial statements are held prior to such quarterly results and annual financial statements being presented to the Board for approval.

After each ARMC meeting, the ARMC reported to, and updated the Board on significant issues and concerns discussed during the ARMC meetings and where appropriate, made the necessary recommendations to the Board.

Representatives from the External Auditors and Internal Auditors, as the case may be, and the Account Manager were in attendance to present the relevant reports and proposals to the ARMC at the meetings which included inter alia, the Auditors' audit plans and audit reports, the quarterly results of the Company and the audited financial statements for the financial year ended 31 July 2019.

In the ARMC meetings, the external auditors were given opportunities to raise any matters and gave unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the ARMC meetings were tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

SUMMARY ACTIVITIES

The ARMC activities during the financial year under review comprised the following:-

Quarterly Financial Statements and Audited Financial Statements

- review the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and

- Review the unaudited financial results before recommending them for Board's approval, focusing particularly on:-

  - Any change in accounting policies
  - Significant adjustments arising from audit
  - Compliance with accounting standards and other legal requirements

External Auditors

- review of external audit plan, outlining the audit scope, audit process and areas of emphasis based on the External Auditors' presentation of audit plan;

- review of external audit review memorandum and the response from the Management;

- review with the External Auditors, their evaluation of the system of internal controls and audit findings;

- consideration and recommendation to the Board for approval of the audit fees payable to the External Auditors;

- discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of Management where necessary);

- review the External Auditor's Management Letter and Management's response;

- review of the performance and effectiveness of the external auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of External Auditors; and

- review and evaluation of factors relating to the independence of the External Auditors.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group. The Internal Audit function shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

The Internal Audit Report directly to the ARMC, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

The ARMC had reviewed:-

- internal audit's resource requirements, scope, adequacy and function;
- suggestion on improvement opportunities in the areas of internal controls, systems and efficiency improvements; and
- appointment of Internal Auditors who will report functionally directly to the ARMC and review their performance on an annual basis.

Internal Control and Risk Management

- review the following internal audit function:-
    - the adequacy of the scope, functions, competency and resources of the internal audit function;
    - ensure the internal audit function is independent of the activities it audits;
    - the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and where necessary, ensure that appropriate action is taken by Management on the recommendations of the internal audit function;
- monitoring and communication of the risk assessment results to the Board;
- consider any related party transactions and conflict of interest that may arise within the Company or Group;
- consider the major findings of internal investigations and management's response; and
- consider any other areas as defined by the Board.

Internal Audit Function

The Company has outsourced the internal audit function to Insight Advisory Services Sdn Bhd. The outsourced internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care. Reporting directly to the ARMC, it provides the Board with a reasonable assurance of the effectiveness of the system of internal control in the Group and that the internal control system is operating satisfactorily.

The Internal Auditors adopts risk-based approach auditing approach towards the planning and conduct of audits. During the financial year, the Internal Auditors carried out its activities and performed assignments based on the annual Audit Plan approved by the ARMC.

The findings of the Internal Auditors are communicated to the Management for the necessary corrective actions. These are being followed-up by the Internal Auditors and reported accordingly to the ARMC.

The total cost incurred by the Internal Audit function of the Group for the financial year ended 31 July 2019 amounted to RM4,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysia Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investment, the Group's assets and the interest of other stakeholders.

The Board of Directors of SMT is pleased to present its Statement on Risk Management and Internal Control which outlines the Group's internal control framework and risk management systems for the financial year ended 31 July 2019 as required by Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement has been prepared pursuant to Chapter 15.26(b) of ACE Market Listing Requirements, and in accordance with the Statement on Risk Management & Internal Control - Guideline for Directors of Listed Issuers (the Guidelines").

BOARD RESPONSIBILITY

The Board recognizes the importance of a sound system of internal control risk management practices for a good corporate governance. The Board acknowledges that the overall responsibility of maintaining a reliable system of risk management and internal control lies with them and is achieved through the process of reviewing controls which includes the establishment of an appropriate control environment and framework, and the review of the effectiveness, adequacy and integrity. The system of risk management and internal control is meant to effectively manage business risk towards the achievement of objectives, to enhance the value of shareholders' investments and to safeguard the Group's assets.

Due to the inherent limitations of the system of internal control, such system is designed to manage rather than to eliminate the risks of failure to achieve the Group's corporate objectives. Therefore, in pursuing these objectives, the system can only provide a reasonable and not absolute assurance against the occurrence of any material misstatement or losses and fraud.

RISK MANAGEMENT FRAMEWORK

The Board recognises the importance of the risk management framework to manage the risk within the Group and regards as an integral part of business operations. and to identify, evaluate and manage significant risks of the Group which will be an on-going process of identifying, assessing and managing risks faced.

The functional management is given a clear line of accountability and delegated authorities were established as part of the internal control efforts through the standard operating practices. The internal audit function supports the review and assists the Audit and Risk Management Committee ("ARMC") in conducting their review more effectively and not to engage in speculative transactions.

INTERNAL CONTROL SYSTEM

The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. The Board meets regularly and has a schedule of matters that are brought to it for decision making process in order to ensure effective control over strategic, financial, operation and compliance issues can be maintained.

The following outlines the main elements of the Group's internal control system:

i. Having an organisational structure that ensures segregation of duties among employees so that there is an appropriate level of checks and balances on the activities of individual employee.

ii. Supplying comprehensive financial and management reports to the ARMC and the Board on a quarterly basis for review, monitoring, decision making and facilitate effective discussion at Board meeting.

iii. Stringent recruitment policy is set to ensure that only capable and competent staffs are employed which in turn ensures each operating unit is functioning effectively.

iv. The Group's performance is monitored through management meeting attended by Head of Department (HOD). Head of Department within the group exercise a hand-on approach.

v. On the operational and financial affairs of the Group. The Executive Chairman are involved and oversee in the day to day operations of the Group.

vi. Internal policies and procedures are updated regularly to reflect changing risk or to resolve operational deficiencies.

The Group's internal control systems are continuously being reviewed and enhanced to ensure that changes in the Group's business and operating environment are adequately managed.

The Board has also received assurance from the Executive Chairman that the risk management and internal control system of the Company and its subsidiaries are operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted.

INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit function to an independent professional firm Insight Advisory Services Sdn. Bhd. to carry out reviews and assess the adequacy and integrity of the system of internal control of the Group. The Internal Auditors report directly to the ARMC, who receives reports of issues and recommendations arising from each review. The Internal Auditors have also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily. The cost incurred for internal audit for the financial year 2019 was RM4,000.00.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This Statement has been reviewed by the External Auditors as required under Chapter 15.23 of ACE Market Listing Requirements for inclusion in the annual report. Their review was performed in accordance with Recommended Practice Guide 5 (Revised): 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. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

RPG 5 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Board and management thereon. The report from the External Auditors was made solely to the Board of Directors in connection with their compliance with the ACE Market Listing Requirements of Bursa Securities and for no other purpose or parties. The External Auditors do not assume responsibility to any person other than the Board in respect of any aspect of this statement.

CONCLUSION BY THE BOARD

The Board has reviewed the adequacy and effectiveness of the risk management and internal control systems based on the information provided by the key management in the Company and assurances provided by External Auditors.

No material losses were incurred during the financial year under review as a result of weaknesses in risk management and internal control systems. The Board and management will continue to take adequate measures to strengthen the control environment in which the Group operates.

The Board is satisfied that the risk management and internal control systems in place for a financial year ended 31 July 2019 are adequate and effective to safeguard shareholders' investments, the Group's assets and interest of other stakeholders.

This statement was made in accordance with a Board of Directors' Resolution dated 20 November 2019.

DIRECTORS' RESPONSIBILITY STATEMENTS

The Board of Directors' confirms its responsibility for preparation of the Annual Audited Financial Statements to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the operations results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 have been applied. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016. 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.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes that its business operations have direct and indirect impact on the communities. The Group upholds its responsibility to oblige the statutory compliance of Corporate Social Responsibility (CSR) and extend it further by implementing various measures to play its part for the society.

The Group believes that a highly conducive working environment will help enhance the efficiency and productivity of employees as well as the quality of life. In this respect, the Group also embarks on structured training and development programmes for its employees to enhance their skills and abilities as springboard for their career development.

The Group also appreciates and understands that its business operations would have an impact and implications on the environment. Accordingly, the Group has taken steps to preserve and minimise the impact on the environment through:

(i) Paperless environment

Staffs are encouraged to fully maximize the benefits of Information Technology for communication and record keeping. Hard copies of documents are generated on a need basis only.

(ii) Recycling

To minimise the environmental impact, the Group adopts a “Go Green” policy, to complement the above initiative. Where possible, paper stationery and materials are to be recycled and reused. Unwanted paper materials are collected for recycling purposes.

ADDITIONAL COMPLIANCE INFORMATION

1.0 Utilisation of Proceeds

On 22 July 2019, the Company had announced its proposal to undertake a private placement comprising the issuance of up to 14,890,000 new ordinary shares ("Placement Shares") representing not more than ten (10) per centum of the total number of issued to third parties to be identified ("Proposed Private Placement"), and made an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities.

On 22 August 2019, Bursa Securities granted approval for the listing of and quotation of the Placement Shares on the ACE Market of Bursa Securities. Hence, there no proceed was raised during the financial year ended 31 July 2019.

2.0 Employees Share Issuance Scheme

During the financial year ended 31 July 2019, a total of 5,420,453 options over the ordinary shares were exercised pursuant to the Company's Employees' Share Issuance Scheme 2017/2021 ("ESOS")

The total number of options granted, exercised and outstanding under the ESOS as at 31 July 2019 are set out in the table below:-

Description	Number of Options as at 31 July 2019	
	Total	Directors
Granted	6,761,853	-
Exercised	5,420,453	-
Outstanding	1,341,400	-

Percentage of options applicable to Directors and Senior Management under the ESOS:-

Directors and Senior Management	During the financial year 2019	Since commencement up to 31 July 2019
Aggregate maximum allocation	80%	80%
Actual granted	80%	80%

3.0 Non-Audit Fees

There were no non-audit fees paid to the Group's external auditors during the financial year ended 31 July 2019.

4.0 Material Contracts

During the financial year, there were no material contracts entered into by the Group involving its Directors' and major shareholders' interest.

5.0 Revaluation Policy on Landed Properties

The Company does not have a revaluation policy in respect of its landed properties.

6.0 Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT")

There were no RRPT conducted during the financial year ended 31 July 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2019.

Principal Activities

The Company is principally engaged in the design, deployment and distribution of radio frequency identity tags and other tagging solutions using information technology broadband networks and the provision of training, maintenance and related consultancy services.

The principal activities of the subsidiary company are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary company during the financial year.

Results

	Group RM	Company RM
Net loss for the financial year	(1,775,615)	(1,774,426)
Attributable to:		
Owners of the Company	(1,775,615)	(1,774,426)
Non-controlling interests	-	-
	(1,775,615)	(1,774,426)

Dividends

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 July 2019.

Reserve and Provision

All material transfers to and from reserves and provisions during the financial year are disclosed in the financial statements.

DIRECTORS' REPORT (CONT'D.)

Bad and Doubtful Debts

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment, and had satisfied themselves that all known bad debts had been written off and adequate allowance for impairment had been made.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current Assets

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation Methods

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

Contingent and Others Liabilities

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

i. Any charge on the assets of the Group and of the Company that have arisen since the end of the financial year which secures the liabilities of any other person, or

ii. Any contingent liability in respect of the Group and of the Company that have arisen since the end of the financial year, other than those as disclosed in Note 27 to the financial statements.

DIRECTORS' REPORT (CONT'D.)

Contingent and Others Liabilities (Cont'd.)

No contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Change of Circumstances

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 that would render any amount stated in the financial statements misleading.

Items of an Unusual Nature

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

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.

Issue of Share and Debentures

During the financial year, the movement in share capital was as follows:

i. On 2 August 2018, an exercise of Shares Issuance Scheme of 3,127,753 shares in SMTRACK BERHAD ("smtrack") ("smtrack shares") for RM0.1135 each shares.

ii. On 10 April 2019, an exercise of Shares Issuance Scheme of 2,292,700 shares in SMTRACK BERHAD ("smtrack") ("smtrack shares") for RM0.1135 each shares.

The new consolidated Shares issued rank pari passu in all respects with the existing Shares of the Company.

DIRECTORS' REPORT (CONT'D.)

Options Granted Over Unissued Shares

ESOS Under The New Share Issue Scheme ("SIS")

At an extraordinary general meeting held on 17 May 2017, the Company's shareholders approved the establishment of Employees' Share Option Scheme ("ESOS") under the New SIS of not more than 33,809,200 new Shares to be granted to eligible directors and employees of the Group.

On 26 October 2017, the Existing SIS yet to be expired on 28 August 2019, had been terminated and replaced by the Proposed New SIS which became operative from 26 October 2017.

The salient terms of the By-Laws of the New SIS are disclosed in Note 16.2 to the financial statements.

As at 31 July 2019, there is no option offered to take up unissued ordinary share.

Directors

The Directors who served since the date of the last report and at the date of this report are as follows:

Datuk Tan Choon Hwa	
Azmi Bin Osman	*Re-designated on 22.11.2018*
Ng Swee Tuo	*Appointment on 21.06.2019*
Dato Haji Rosly Bin Abas	*Appointment on 08.11.2019*
Mahnorizal Bin Mahat	*Appointment on 08.11.2019*
Chow Hung Keey	*Resigned on 05.11.2019*
Terence Cheah Eu Lee	*Appointment on 20.03.2019, resigned on 20.08.2019*
Zheng, Zhuo Xuan	*Appointment on 15.11.2018, resigned on 25.03.2019*
Anthony Goh Shee Hiang	*Resigned on 24.12.2018*

In accordance with Article of the Company's Articles of Association, Ng Swee Tuo, Azmi Bin Osman, Dato haji Rosly Bin Abas, and Mahnorizal Bin Mahat retire at the forthcoming Annual General Meeting, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONT'D.)

Directors' Interests in Shares

According to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia, the interests of those directors who held office at the end of the financial year in shares of the Company during the financial year ended 31 July 2019 are as follows:

	Number of ordinary Share			
	At 1.8.2018	Bought	Sold	At 31.7.2019
Direct interest				
Datuk Tan Choon Hwa	18,061,357	-	-	18,061,357
Indirect interest				
Datuk Tan Choon Hwa	250,000	-	-	250,000
Total interest				
Datuk Tan Choon Hwa	18,311,357	-	-	18,311,357

By virtue of his interests in the Company, Datuk Tan Choon Hwa is deemed to have interest in the shares of the subsidiary during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016 in Malaysia. The Indirect interest for Datuk Tan Choon Hwa is pledged securities account from Amsec Nominees (Tempatan) Sdn Bhd for 250,000 number ordinary share with 0.17 percent per unit share.

Save as disclosed above, none of the other Directors holding office as at 31 July 2019 has any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

Directors' Fees and Benefits

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the share options stated above and those benefits included in the aggregate amount of emoluments received or due and receivable by the directors disclosed in Note 26 to the financial statements) 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.

Indemnifying Directors, Officers or Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been the Director, officer or auditor of the Company.

DIRECTORS' REPORT (CONT'D.)

Significant Events during the Financial Year

Significant events during the financial year are disclosed in Note 29 to the financial statements.

Significant Events after the Financial Year

Significant events after the financial year are disclosed in Note 30 to the financial statements.

Auditors' Remuneration

Total amounts paid to or receivable by the auditors as remunerations for their services as auditor as follows:

	Group and Company RM
Statutory audit	85,000
Other services	5,000
	90,000

Auditor

The auditors, Messrs Jamal, Amin & Partners, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 20 November 2019.

Azmi Bin Osman

Datuk Tan Choon Hwa

Kuala Lumpur

Dated: 20 November 2019

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act, 2016

We, Azmi Bin Osman and Datuk Tan Choon Hwa, being two of the directors of SMTRACK BERHAD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 44 to 115 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 31 July 2019 and of its results and cash flows for the year ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 20 November 2019.

Azmi Bin Osman

Datuk Tan Choon Hwa

Kuala Lumpur
Dated: 20 November 2019

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act, 2016

I, Azmi Bin Osman (MIA member no: 37058), being the director primarily responsible for the financial management of SMTRACK BERHAD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 115 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)
Azmi Bin Osman at Kuala Lumpur in the)
state of Federal Territory on 20 November)
2019)

Azmi Bin Osman

Before me,

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMTRACK BERHAD

Report on the Audit of the financial statements

Opinion

We have audited the financial statements SMTRACK BERHAD, which comprise the statement of financial position as at 31 July 2019 of the Group and of the Company, and the 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 44 to 115.

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 31 July 2019, 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 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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("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 SMTRACK BERHAD (CONT'D.)

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 financial year. 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.

Key Audit Matters	How we addressed the key audit matters
Impairment of Trade and Other Receivables *(Note 10 & Note 12)* The carrying amount of the Group's trade and other receivables is amounted to approximately RM13,720,167. During the financial year, the Group assessed the impairment of trade and other receivables. The Group has significant exposure of credit risk arising from its trade and other receivables as well as outstanding balance from project as at 31 July 2019. We focus on this area as the assessment of expected credit losses of receivables involved management judgements and estimation uncertainty in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.	Our audit procedures included, among others:- • Obtained the understanding of:- (i) the Group's control over the trade and other receivables collection process; (ii) how Group identifies and assess the impairment of trade receivables; and (iii) how the Group makes accounting estimates for impairment. • Considered the ageing of the trade receivables. • Evaluated the techniques and methodology in the expected credit loss approach against the requirements of MFRS 9. • Assessed the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. • Evaluated the reasonableness and adequacy of the allowance for impairment recognized for identified disclosure.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMTRACK BERHAD (CONT'D.)

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.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 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, 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.

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMTRACK BERHAD (CONT'D.)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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.

- 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 represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMTRACK BERHAD (CONT'D.)

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.

JAMAL, AMIN & PARTNERS
(No: AF 1067)
Chartered Accountants

AHMAD HILMY BIN JOHARI
(No: 2977/03/20(J))
Chartered Accountant

Kuala Lumpur

Dated: 20 November 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets					
Non-current assets					
Property, plant and equipment	5	129,181	196,504	129,181	196,504
Investment in subsidiary company	6	-	-	100	51
Investment in associate company	7	-	-	-	-
Investment in jointly controlled entity	8	-	-	-	-
Intangible assets	9	-	-	-	-
Other receivables, deposits and prepayment	10	4,943,900	4,943,900	4,943,900	4,943,900
Total non-current assets		5,073,081	5,140,404	5,073,181	5,140,455
Current assets					
Trade receivables	12	3,624,244	1,937,992	3,624,244	1,937,992
Others receivables, deposits and prepayment	10	5,152,023	6,970,645	5,152,023	6,970,645
Amount owing by subsidiary company	13	-	-	3,180	4,000
Amount owing by associate company		405,200	380,000	405,200	380,000
Tax recoverable		531	531	531	531
Cash and cash equivalents	14	47,029	21,153	47,029	21,153
Total current assets		9,229,027	9,310,321	9,232,207	9,314,321
Total assets		14,302,108	14,450,725	14,305,388	14,454,776

(The accompanying notes are an integral part of this statement of financial position)

STATEMENTS OF FINANCIAL POSITION (CONT'D.)
AS AT 31 JULY 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Equity and liabilities					
Equity attributable to the owners of the company					
Share capital	15	17,385,288	16,769,968	17,385,288	16,769,968
Accumulated losses		(5,849,071)	(4,073,456)	(5,845,791)	(4,071,365)
Shareholders' funds		11,536,217	12,696,512	11,539,497	12,698,603
Non-controlling interest		-	(1,960)	-	-
Total equity		11,536,217	12,694,552	11,539,497	12,698,603
Current liabilities					
Trade payables	17	141,204	142,767	141,204	142,767
Other payables and accruals	18	2,624,687	1,613,406	2,624,687	1,613,406
Total liabilities		2,765,891	1,756,173	2,765,891	1,756,173
Total equity and liabilities		14,302,108	14,450,725	14,305,388	14,454,776

(The accompanying notes are an integral part of this statement of financial position)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	21	1,698,113	1,510,398	1,698,113	1,510,398
Cost of sales		(6,578)	(113,340)	(6,578)	(113,340)
Gross profit		1,691,535	1,397,058	1,691,535	1,397,058
Other income		849	92,180	29	92,180
Administrative expenses		(3,465,990)	(5,360,390)	(3,465,990)	(5,335,523)
Operating loss		(1,773,606)	(3,871,152)	(1,774,426)	(3,846,285)
Finance cost		-	-	-	-
Share of result of jointly controlled entity		-	-	-	-
Loss before taxation	22	(1,773,606)	(3,871,152)	(1,774,426)	(3,846,285)
Income tax expenses	23	-	-	-	-
Net loss for the financial year		(1,773,606)	(3,871,152)	(1,774,426)	(3,846,285)
Other comprehensive income net of tax					
Items may not be reclassified subsequently to profit of loss:					
Losses in acquiring a subsidiary		(2,009)	-	-	-
		(2,009)	-	-	-
Others comprehensive expenses for the financial year, net of tax		-	-	-	-
Total comprehensive expenses for the financial year		(1,775,615)	(3,871,152)	(1,774,426)	(3,846,285)

(The accompanying notes are an integral part of this statement of profit or loss)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2019 (CONT'D.)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Balanced brought forward		(1,775,615)	(3,871,152)	(1,774,426)	(3,846,285)
Items may be reclassified subsequently to profit of loss:					
Foreign currency translation on foreign entities		-	-	-	-
Others comprehensive expenses for the financial year, net of tax		-	-	-	-
Total comprehensive expenses for the financial year		(1,775,615)	(3,871,152)	(1,774,426)	(3,846,285)
Net loss for the financial year attributable to:					
Owners of the company		(1,775,615)	(3,869,143)	(1,774,426)	(3,846,285)
Non-controlling interest		-	(2,009)	-	-
		(1,775,615)	(3,871,152)	(1,774,426)	(3,846,285)
Total comprehensive expenses for the financial year attributable to:					
Owners of the company		(1,775,615)	(3,869,143)	(1,774,426)	(3,846,285)
Non-controlling interest		-	(2,009)	-	-
		(1,775,615)	(3,871,152)	(1,774,426)	(3,846,285)
Loss per ordinary share (sen):	24				
Basis loss per ordinary share (sen):					
From continuing operations		(1.20)	(3.06)		
From discontinued operations		-	-		
		(1.20)	(3.06)		
Diluted loss per ordinary share (sen)					
From continuing operations		(1.20)	(3.06)		
From discontinued operations		-	-		
		(1.20)	(3.06)		

(The accompanying notes are an integral part of this statement of profit or loss)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019

	Attributable to Owners of the Company						
	Non- Distributable			Distributable			
	Share capital RM	Foreign currency translation reserve RM	Employee share options reserve RM	Accumulated losses RM	Total RM	Non-controlling interest RM	Total equity
Group							
At 1 August 2017	8,669,045	-	-	(204,313)	8,464,732	-	8,464,732
Net loss for the financial year	-	-	-	(3,869,143)	(3,869,143)	(2,009)	(3,871,152)
Others comprehensive expenses for the financial year, net of tax	-	-	-	-	-	-	-
Total comprehensive expenses for the financial year	-	-	-	(3,869,143)	(3,869,143)	(2,009)	(3,871,152)
Transactions with owners:							
Acquisition of a subsidiary	-	-	-	-	-	49	49
Issuance of share capital	8,100,923	-	-	-	8,100,923	-	8,100,923
Total transactions with owners	8,100,923	-	-	-	8,100,923	49	8,100,972
As at 31 July 2018	16,769,968	-	-	(4,073,456)	12,696,512	(1,960)	12,694,552

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019 (CONT'D.)

	Attributable to Owners of the Company						
	Non- Distributable			Distributable			
Group	**Share capital RM**	**Foreign currency translation reserve RM**	**Employee share options reserve RM**	**Accumulated losses RM**	**Total RM**	**Non-controlling interest RM**	**Total equity**
At 1 August 2018	16,769,968	-	-	(4,073,456)	12,696,512	(1,960)	12,694,552
Net loss for financial year	-	-	-	(1,773,606)	(1,773,606)	-	(1,773,606)
Others comprehensive expenses for the financial year, net of tax	-	-	-	(2,009)	(2,009)	2,009	-
Total comprehensive expenses for the financial year	-	-	-	(1,775,615)	(1,775,615)	2,009	(1,773,606)
Transactions with owners:							
Transfer pursuant to Section 618 (2) of the Company Act, 2016	-	-	-	-	-	(49)	(49)
Issuance of share capital	615,320	-	-	-	615,320	-	615,320
Total transactions with owners	615,320	-	-	-	615,320	(49)	615,271
At 31 July 2019	17,385,288	-	-	(5,849,071)	11,536,217	-	11,536,217

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2019 (CONT'D.)

	Attributable to Owners of the Company				
	Non- Distributable			Distributable	
	Share capital RM	Share premium RM	Share options reserve RM	Accumulated losses RM	Total RM
Company					
At 1 August 2017	8,669,045	-	-	(225,080)	8,443,965
Net loss for financial year, net of tax	-	-	-	(3,846,285)	(3,846,285)
Total comprehensive expenses for the financial year	-	-	-	(3,846,285)	(3,846,285)
Transactions with owners:					
Issuance of share capital	8,100,923	-	-	-	8,100,923
Total transactions with owners	8,100,923	-	-	-	8,100,923
At 31 July 2018	16,769,968	-	-	(4,071,365)	12,698,603
Net loss for financial year, net of tax	-	-	-	(1,774,426)	(1,774,426)
Total comprehensive loss for the financial year	-	-	-	(1,774,426)	(1,774,426)
Transactions with owners:					
Issuance of share capital	615,320	-	-	-	615,320
Total transactions with owners	615,320	-	-	-	615,320
At 31 July 2019	17,385,288	-	-	(5,845,791)	11,539,497

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITY:				
Loss for the year	(1,775,615)	(3,871,152)	(1,774,426)	(3,846,285)
Adjustments for:				
Allowance for impairment losses on:				
Trade receivables	-	-	-	3,307,700
Depreciation of property, plant, and equipment	67,323	435,477	67,323	435,477
Loss on acquiring of subsidiary	1,960	-	-	-
Loss / (Gain) on disposal of subsidiary companies	-	20,767	-	(1,000)
Payable write back	-	-	-	(39,144)
	(1,706,332)	(3,414,908)	(1,707,103)	(143,252)
Changes in working capital				
Receivables	107,170	(5,368,424)	107,990	(8,296,124)
Amount owing by subsidiary	-	-	-	(4,000)
Amount owing by associate	-	-	-	(380,000)
Payables	1,009,718	711,247	1,009,718	750,391
	(589,444)	(8,072,085)	(589,395)	(8,072,985)
Income tax refund	-	762	-	762
Net operating cash flows	(589,444)	(8,071,323)	(589,395)	(8,072,223)
Balance carried forward	(589,444)	(8,071,323)	(589,395)	(8,072,223)

(The accompanying accounting policies and explanatory notes form an integral part of the financial Statements)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2019 (CONT'D.)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Balance brought forward	(589,444)	(8,071,323)	(589,395)	(8,072,223)
CASH FLOWS FROM INVESTING ACTIVITY:				
Proceeds from disposal of subsidiary	-	-	-	1,000
Investment in subsidiary	-	-	(49)	(51)
Cash inflow from acquisition of subsidiary	-	49	-	-
Purchases of plant, property and equipment	-	(16,282)	-	(16,282)
Net investing cash flows	-	(16,233)	(49)	(15,333)
CASH FLOWS FROM FINANCING ACTIVITY:				
Net proceeds from issuances of ordinary shares	615,320	8,100,923	615,320	8,100,923
Net of cash, disposal of net liability of subsidiary	-	(1,175)	-	-
Net financing cash flows	615,320	8,099,748	615,320	8,100,923
CASH AND CASH EQUIVALENTS				
Net increase	25,876	12,192	25,876	13,367
Effect of foreign exchange translation	-	-	-	-
At 1 August	21,153	8,961	21,153	7,786
At 31 July	47,029	21,153	47,029	21,153
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	47,029	21,153	47,029	21,153

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan whilst the principal place of business of the Company is located at Suite 7.01A, Level 7, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 November 2019.

2. Principal Activities

The Company is principally engaged in the design, deployment and distribution of radio frequency identity tags and other tagging solutions using information technology broadband networks and the provision of training, maintenance and related consultancy services. The principal activity of its subsidiary company is disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year.

3. Basis of Preparation

3.1 The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 (“the Act’) in Malaysia.

3.2 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
MFRS 16 Leases
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

3. Basis of Preparation (Cont'd.)

3.2 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any): (Cont'd.)

MFRSs and/or IC Interpretations (Including the Consequential Amendments) (Cont'd.)

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 "Revenue from Contracts with Customers"
Amendments to MFRS 140 Transfers of Investment Property

The adoption of the above new accounting standards and interpretations (including the consequential amendments) did not have any significant effect on the Group's financial statements except as follows:

MFRS 9: Financial instruments

MFRS 9 (IFRS 9 issued by IASB In July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

3. Basis of Preparation (Cont'd.)

3.2 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any): (Cont'd.)

The adoption of the above new accounting standards and interpretations (including the consequential amendments) did not have any significant effect on the Group's financial statements except as follows: (Cont'd.)

MFRS 15 Revenue from Contracts with Customers (Cont'd.)

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and noncash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

MFRS 16 Leases

MFRS 16 will replace the existing MFRS 117 on Leases, when it becomes effective.

Under MFRS 117, a lease is classified either as a finance lease or an operating lease based on the extent to which risks and rewards incidental to ownership of the leased asset lie with the lessor or the lessee. A lessee recognises the asset and liability arising from a finance lease but not an operating lease. MFRS 16 eliminates the distinction between finance leases and operating leases for lessees.

Under the new standard, a lessee is required to recognise the assets and liabilities in respect of all leases, except for short-term leases of 12 months or less and leases of low value assets. At the commencement of a lease, a lessee recognises a right-of-use asset and a corresponding lease liability. The lessee will be required to separately recognise the depreciation on the right-of-use asset and interest expense on the lease liability. Lessor accounting remained substantially unchanged from the current accounting under MFRS 117.

3.3 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) are expected to have no material impact on the financial statements of the Group upon their initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies

4.1 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

a) 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.

b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from cash generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

d) Amortisation of Intangible Assets

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

e) Impairment of Trade and Other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where thereis objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.1 Critical Accounting Estimates and Judgements (Cont'd.)

f) 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.

g) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale financial assets when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, historical, sector and industry trends, general market and economic conditions, changes in technology and other available information; and the duration and extent to which the fair value of a financial asset is less than its cost.

h) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

i) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to 31 July 2019. Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquirer's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.2 Basis of Consolidation (Cont'd.)

b) Non-Controlling interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

i. The aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

ii. The previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss immediately.

4.4 Functional and Foreign Currencies

a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2011) which are treated as assets and liabilities of the Company and are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instrument, the Group and the Company have elected not to restate the comparative.

i) Recognition and Initial Measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Previous financial year

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

ii) Financial instrument categories and subsequent measurement

Financial Assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Assets (Cont'd.)

Current financial year (Cont'd.)

a) Amortised cost (AC)

Amortised cost 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 on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

b) Fair value through other comprehensive income (FVOCI)

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Assets (Cont'd.)

Current financial year (Cont'd.)

b) Fair value through other comprehensive income (FVOCI)

i) Debt investments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's 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 dividend clearly represents a recovery part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

c) Fair value through profit or loss (FVPL)

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Assets (Cont'd.)

Current financial year (Cont'd.)

c) Fair value through profit or loss (FVPL)

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the 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.

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS139, *Financial Instruments: Recognition and Measurement* as follows:

a) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost when using the effective interest method. Gains or losses are recognised in the profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after reporting date which are classified as current.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Assets (Cont'd.)

Previous financial year (Cont'd.)

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group and the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

c) Available-for-sale financial assets

Available-for-sales financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment or financial assets, at fair value through profit or loss. All available-for-sale assets are measured at fair value at the end of reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Assets (Cont'd.)

Previous financial year (Cont'd.)

c) Available-for-sale financial assets (Cont'd.)

Available-for-sale equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group and the Company's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in that foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Financial Liabilities

Current financial year

a) Fair value through profit or loss (FVPL)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivatives that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration ia a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Liabilities (Cont'd.)

Current financial year (Cont'd)

a) Fair value through profit or loss (FVPL) (Cont'd.)

i. if doing so eliminates or significant reduces an accounting mismatch that would otherwise arise.

ii. a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group and the Company's key management personnel; or

iii. if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at the fair value with gains or losses, including any interest expense are recognized in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognize the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.5 Financial Instrument (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial Liabilities (Cont'd.)

Current financial year (Cont'd)

b) Amortised cost

Other financial liabilities not catagorised as fair value through profit or loss are subsequently measured at amortised cost using effective interest method.

Interest expense and foreign exchange gains and losses are recognized in the profit or loss. Any gains or losses on derecognition are recognized in the profit or loss.

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS139, *Financial Instruments: Recognition and Measurement* as follows:

Short-term borrowings, trade and other payables are classified as financial liabilities in the statement of financial position as there is a contractual obligation to make cash payments to another entity and are contractually obliged to settle the liabilities in cash. Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group and the Company designates the liabilities at fair value through profit or loss. Financial liabilities are designated at fair value through profit or loss when:

i. they are acquired or incurred for the purpose of selling or repurchasing in the near term;

ii. the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or

iii. the financial liability constrains an embedded derivative that would need to be separately recorded.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.6 Property, Plant and Equipment

All items of property and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that can be replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Freehold land is not depreciated. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office Building	2%
Computers	33.33%
IT Equipment	10%-20%
Office equipment and Furniture and Fittings	10%
Renovation	10%
Motor Vehicle	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.6 Property, Plant and Equipment (Cont'd.)

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.7 Investment in Subsidiary Companies

Investments in subsidiary companies including the fair value adjustments on intercompany loans at inception date (or the share options granted to employees of the subsidiaries) are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiary companies, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.8 Joint Ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing the control.

The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

The Group's interest in its unincorporated joint operations is accounted for by recognising the Group's assets and liabilities from the joint operations, as well as expenses incurred by the Group and the Group's share of income earned from the joint operations, in the consolidated financial statements.

Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.9 Intangible Assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets that have been capitalised are amortised on a straight line basis over the period of their expected benefits, but not exceeding 5 years begin from the period when the intangible assets are available for use.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether 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.

a) 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 long-term 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.9 Intangible Assets (Cont'd.)

a) Research and Development Expenditure (Cont'd.)

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 development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

b) Computer Software

Costs incurred to acquire computer software that are not integral parts of the related hardware, are capitalised as intangible assets and amortised on a straight-line basis over an estimated lives of 5 years.

4.10 Impairment

a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.10 Impairment (Cont'd.)

a) Impairment of Financial Assets (Cont'd.)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.11 Lease Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.12 Tax Expenses

Income Taxes

(i) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(ii) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability In a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognized in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average cost method. Costs comprise the purchase price, and incidentals incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities period of 3 months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts (if any).

4.15 Provisions

Provision are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.16 Employment Benefits

a) Short-Term Employment Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and nonmonetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At the grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and nonmarket performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

Any recharge for the share options granted to a subsidiary's employees is to be offset against the investments in subsidiaries In the Company's separate financial statements with any excess goes to profit or loss as a distribution from the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.17 Related parties

A party is related to an entity (referred to as the "reporting entity") if:-

a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or joint controlled by a person identified in (a) above.
(vii) A person identified in (a) (i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.18 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.19 Fair Value Measurements

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For nonfinancial asset, the fair value measurement takes into account a market's 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. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into Level 1 to Level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.20 Revenue And Other Income

a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

b) Support and Maintenance Income

Revenue is recognised upon the rendering services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

Support and maintenance income are recognised over the period of the service contracts based on services rendered.

Any billings in advance of which the maintenance services have not been performed will be treated as unearned income until the services have been delivered. The unearned income will be credited to the profit or loss and other comprehensive income upon the services performed.

c) Interest Income

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

d) Management fee

Management fee is recognised on an accrual basis when service is rendered.

e) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

4.21 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4. Significant Accounting Policies (Cont'd.)

4.22 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.23 Earnings Per Ordinary Share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.24 Non-Current Assets Held For Sale

Noncurrent assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the noncurrent assets (or the disposal group) are re-measured In accordance with the Group's accounting policies. Upon classification as held for sale, the noncurrent assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

5. Property, plant and equipment

2019

	Computers RM	IT Equipment RM	IT Equipment Rented Out RM	Office Equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicles RM	Work In Progress RM	Total RM
Group								
Cost								
At 1 August 2018	170,930	13,953,276	1,897,311	224,543	53,661	112,305	1,434,600	17,846,626
Additions	-	-	-	-	-	-	-	-
Derecognised	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
At 31 July 2019	170,930	13,953,276	1,897,311	224,543	53,661	112,305	1,434,600	17,846,626
Accumulated depreciation								
At 1 August 2018	157,905	8,419,254	1,897,311	144,013	18,095	44,922	-	10,681,500
Charge for the year	13,025	-	-	25,575	6,262	22,461	-	67,323
Disposals	-	-	-	-	-	-	-	-
At 31 July 2019	170,930	8,419,254	1,897,311	169,588	24,357	67,383	-	10,748,823
Accumulated impairment losses								
At 1 August 2018	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Additions	-	-	-	-	-	-	-	-
At 31 July 2019	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Net book value								
At 31 July 2019	-	-	-	54,955	29,304	44,922	-	129,181

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

5. Property, plant and equipment (Cont'd.)

2018

	Computers RM	IT Equipment RM	IT Equipment Rented Out RM	Office Equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicles RM	Work In Progress RM	Total RM
Group								
Cost								
At 1 August 2017	161,924	13,953,276	1,897,311	220,857	50,111	112,305	1,434,600	17,830,384
Additions	9,006	-	-	3,726	3,550	-	-	16,282
Derecognised	-	-	-	(40)	-	-	-	(40)
Disposal	-	-	-	-	-	-	-	-
At 31 July 2018	170,930	13,953,276	1,897,311	224,543	53,661	112,305	1,434,600	17,846,626
Accumulated depreciation								
At 1 August 2017	153,363	8,419,254	1,517,849	121,175	11,921	22,461	-	10,246,023
Charge for the year	4,542	-	379,462	22,838	6,174	22,461	-	435,477
Disposals	-	-	-	-	-	-	-	-
At 31 July 2018	157,905	8,419,254	1,897,311	144,013	18,095	44,922	-	10,681,500
Accumulated impairment losses								
At 1 August 2017	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Additions	-	-	-	-	-	-	-	-
At 31 July 2018	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Net book value								
At 31 July 2018	13,025	-	-	80,530	35,566	67,383	-	196,504

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

5. Property, plant and equipment (Cont'd.)

2019

	Computers RM	IT Equipment RM	IT Equipment Rented Out RM	Office Equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicles RM	Work In Progress RM	Total RM
Company								
Cost								
At 1 August 2018	170,930	13,953,276	1,897,311	224,543	53,661	112,305	1,434,600	17,846,626
Additions	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
At 31 July 2019	170,930	13,953,276	1,897,311	224,543	53,661	112,305	1,434,600	17,846,626
Accumulated depreciation								
At 1 August 2018	157,905	8,419,254	1,897,311	144,013	18,095	44,922	-	10,681,500
Charge for the year	13,025	-	-	25,575	6,262	22,461	-	67,323
Disposals	-	-	-	-	-	-	-	-
At 31 July 2019	170,930	8,419,254	1,897,311	169,588	24,357	67,383	-	10,748,823
Accumulated impairment losses								
At 1 August 2018	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Additions	-	-	-	-	-	-	-	-
At 31 July 2019	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Net book value								
At 31 July 2019	-	-	-	54,955	29,304	44,922	-	129,181

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

5. Property, plant and equipment (Cont'd.)

2018	Computers RM	IT Equipment RM	IT Equipment Rented Out RM	Office Equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicles RM	Work In Progress RM	Total RM
Company								
Cost								
At 1 August 2017	161,924	13,953,276	1,897,311	220,817	50,111	112,305	1,434,600	17,830,344
Additions	9,006	-	-	3,726	3,550	-	-	16,282
Disposal	-	-	-	-	-	-	-	-
At 31 July 2018	170,930	13,953,276	1,897,311	224,543	53,661	112,305	1,434,600	17,846,626
Accumulated depreciation								
At 1 August 2017	153,363	8,419,254	1,517,849	121,175	11,921	22,461	-	10,246,023
Charge for the year	4,542	-	379,462	22,838	6,174	22,461	-	435,477
Disposals	-	-	-	-	-	-	-	-
At 31 July 2018	157,905	8,419,254	1,897,311	144,013	18,095	44,922	-	10,681,500
Accumulated impairment losses								
At 1 August 2017	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Additions	-	-	-	-	-	-	-	-
At 31 July 2018	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Net book value								
At 31 July 2018	13,025	-	-	80,530	35,566	67,383	-	196,504

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

5. Property, plant and equipment (Cont'd.)

As at 31 July 2019, annual depreciation of RM67,323 has been charged out against the statement of profit or loss and other comprehensive income during the current financial year.

6. Investment in subsidiary company

	Company	
	2019	**2018**
	RM	**RM**
Unquoted shares at cost		
At 1 August 2018/31 July 2018		
In Malaysia	51	50,098
Outside Malaysia	-	-
	51	50,098
Addition during the financial year:		
In Malaysia	49	51
	100	50,149
Disposal during the financial year:		
In Malaysia	-	(35,069)
Reclassed to Investment in Associated Company	-	(15,029)
	100	51
Less: Allowance for impairment losses	-	-
As at 31 July	100	51

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

6. Investment in subsidiary company (Cont'd.)

Details of the subsidiary company are as follows:

Name of Subsidiary	Principal place business/Country of incorporation	Percentage of issued share capital held by Parent 2019 %	2018 %	Principal Activity
Smart Marine Tech Sdn Bhd #	Malaysia	100	51	Dormant

Not audited by Jamal, Amin & Partners

7. Investment in associate company

	Company 2019 RM	2018 RM
Unquoted shares at cost		
At 1 August 2018/31 July 2018		
In Malaysia	-	-
	-	-
Addition during the financial year:		
Reclassed from investment in subsidiary	-	15,029
	-	15,029
Less: Allowance for impairment losses		
Reclassed from investment in subsidiary	-	(15,029)
As at 31 July	-	-

Details of the associate company are as follows:

Name of Associate	Principal place business/Country of incorporation	Percentage of issued share capital held by Parent 2019 %	2018 %	Principal Activity
Smartag Technologies Sdn Bhd #	Malaysia	30	30	Dormant

Not audited by Jamal, Amin & Partners

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

8. Investment In Jointly Controlled Entity

	Company 2019 RM	Company 2018 RM
Group and Company		
Unquoted shares-at cost	5,015,000	5,015,000
Deposits forfeited	(1,500,000)	(1,500,000)
	3,515,000	3,515,000
Allowance for impairment losses		
At 1 August 2018/2017	(3,515,000)	(3,515,000)
Additions	-	-
At 31 July 2019/2018	(3,515,000)	(3,515,000)
At 31 July 2019/2018	-	-

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Principal place business/Country of incorporation	Percentage of issued share capital held by Parent 2019 %	2018 %	Principal Activity
My Record Sdn. Bhd. #	Malaysia	50	50	Provision of software solutions and integration services for the courier and logistics industry

Not audited by Jamal, Amin & Partners

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

9. Intangible Assets

	Note	2019 RM	2018 RM
Product development costs	(a)	-	-
Computer software	(b)	-	-
As at 31 July 2019/2018		-	-
		-	-

a. Product development costs

	2019 RM	2018 RM
Cost		
At 1 Augusts 2018/2017	7,673,030	7,673,030
Additions	-	-
At 31 July 2019/2018	7,673,030	7,673,030
Accumulated amortisation		
At 1 Augusts 2018/2017	3,249,106	3,249,106
Additions	-	-
At 31 July 2019/2018	3,249,106	3,249,106
Allowance for impairment losses		
At 1 Augusts 2018/2017	4,423,924	4,423,924
Additions	-	-
At 31 July 2019/2018	4,423,924	4,423,924
As at 31 July 2019/2018	-	-

i. The amortisation of product development costs is included in the "Administrative Expenses" and "Cost of Sales" line items in the statements of profit and loss and other comprehensive income.

ii. The total carrying amount of intangible assets of the Group and the Company as at 31 July 2019 is nil (31.7.2018: nil) which consists of product development costs that relates to a project which was terminated during the previous financial period.

Allowance of impairment losses for the balance amount has been provided during the financial year ended 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

9. Intangible Assets (Cont'd.)

a. Product development costs (Cont'd.)

iii. The Group assessed the recoverable amount of product development costs and determined that an impairment loss was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income as the recoverable amount is lower than the carrying amount. The recoverable amount of the cash-generating unit is estimated based on its value in use.

b. Computer software, at cost

	2019 RM	2018 RM
At 1 Augusts 2018/2017	-	-
Additions	-	-
Termination of the licensing agreement during the current financial year (Refer also to Notes 11 to the financial statements)	-	-
At 31 July 2019/2018	-	-

i. The computer software of the Group and of the Company acquired during the current financial year in respect of the application software, namely "Averiware Cloud Conferencing System", designed and developed by Averiware Inc, USA ("the Vendor").

   The licensing agreement was terminated on 27 July 2017 and the said Vendor had agreed to refund the entire purchase consideration of RM2,200,000.

ii. In previous financial period, the Group assessed the recoverable amount of computer software and determined that an impairment loss was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income as the recoverable amount is lower than the carrying amount. The recoverable amount of the Cash-generating unit is estimated based on its value in use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

10. Other Receivables, Deposits & Prepayments

	Group 2019 RM	Group 2018 RM
Group		
Non-Current		
Advances made to the then joint-operation entity (Note 11)	4,943,900	4,943,900
Receivables from the computer software vendor	-	-
	4,943,900	4,943,900
Current		
Other receivables	818	818
Deposits	4,851,205	4,669,827
Prepayments	2,300,000	2,300,000
Receivables from the computer software vendor	2,200,000	2,200,000
	9,352,023	9,170,645
Less : Impairment	(4,200,000)	(2,200,000)
	5,152,023	6,970,645
Total as at 31 July 2019/2018	10,095,923	11,914,545

	Company 2019 RM	Company 2018 RM
Company		
Non-Current		
Advances made to the then joint-operation entity (Note 11)	4,943,900	4,943,900
Receivables from the computer software vendor	-	-
	4,943,900	4,943,900
Current		
Other receivables	818	818
Deposits	4,851,205	4,669,827
Prepayments	2,300,000	2,300,000
Receivables from the computer software vendor	2,200,000	2,200,000
	9,352,023	9,170,645
Less : Impairment	(4,200,000)	(2,200,000)
	5,152,023	6,970,645
Total as at 31 July 2019/2018	10,095,923	11,914,545

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

11. Advances to the Then Joint Operation Entity

On 10 March 2016, the Company entered into a joint venture agreement ("JVA") with Cherish Words Sdn Bhd ("CWSB") to form an "unincorporated joint operation" to participate in a joint venture for subcontracting works.

Gandingan Mutiara Sdn Bhd ("GMSB") which is the main contractor for the Development Project that was awarded by FELDA to carry out the Development Project for a total sum of RM34,543,850 on 6 January 2014.

Subsequently on 16 March 2016, the parties entered into a supplemental joint venture agreement to amend the terms of the JVA.(the JVA and the supplementary JVA are collectively referred to as "the JVAs")

The salient terms of the JVAs, amongst others, are as follows:

i. The Company agreed to participate in the subcontracting work by way of working capital contribution of RM3,700,000 in cash for the purposes of carrying out the balance of works for the Development Project awarded by GMSB.

ii. Any profits as may be derived from the joint operations shall be first utilised to repay the working capital contributions to the Company.

The percentage of participation, execution of works and sharing of the profits arising out of the performance of the Development Project between the parties shall be on 50%:50% basis.

Movement in advance's made by the Company during the current financial year/ period is as follows:

	Group and Company	
	2019	**2018**
	RM	**RM**
At 1 August 2018/2017	-	-
Additional/repayments	-	-
Transferred to other receivables :		
- Amount to be settled by the joint operating entitity	-	-
At 31 July 2019/2018	-	-

The Joint Venture Agreements were terminated on 28 July 2017 by mutual consent, and the outstanding amount of RM4,944,000 will be settled via contra of properties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

12. Trade Receivables

	Group and Company	
	2019	2018
	RM	RM
Trade receivables	7,305,206	5,618,954
Less: Allowance for impairment losses	(3,680,962)	(3,680,962)
	3,624,244	1,937,992
Allowance for impairment losses:-		
At 1 August 2018/2017	3,680,962	2,567,331
Addition during the financial year	-	1,113,361
At 31 July 2019/2018	3,680,962	3,680,962

The normal trade credit terms granted to the Group and the Company range from 30 to 120 days (31.7.2018: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

13. Amount Owing By Subsidiary Company

	Company	
	2019	2018
	RM	RM
Amount owing by subsidiary companies	3,180	384,000
Less: Subsidiary company disposed of	-	(380,000)
	3,180	4,000
Allowance for impairment losses	-	-
At 31 July 2019/2018	3,180	4,000
Movement in allowance for impairment losses:-		
At 1 August 2018/2017	-	95,656
Addition during the financial year	-	-
	-	95,656
Less: Subsidiary companies disposed of	-	(95,656)
At 31 July 2019/2018	-	-

The amounts owing by subsidiary companies that are individually impaired at the end of the reporting period relate to subsidiary companies that are in significant financial difficulties and have defaulted on payments.

a) The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amounts owing by subsidiary companies are repayable on demand and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

14. Cash and Cash Equivalents

	2019 RM	2018 RM
Group		
Cash and bank balances	47,029	21,153
Cash and cash equivalents	47,029	21,153
Company		
Cash and bank balances	47,029	21,153
Cash and cash equivalents	47,029	21,153

As the cash and bank balances are in Ringgit Malaysia, thus they are not subject to the risk of other currency exposure during the current financial year.

15. Share Capital

	Group and Company			
	31.7.2019		31.7.2018	
	Number of shares (Unit)	RM	Number of shares (Unit)	RM
Issued and fully paid:				
At 1 August 2018/2017	143,480,203	16,769,968	86,690,450	8,669,045
Transfer from Share Premium	-	-	-	-
Share Capital reduction (4 to 1)	-	-	-	-
	143,480,203	16,769,968	86,690,450	8,669,045
New issued and paid up share capital	3,127,753	615,320	56,789,753	8,100,923
At 31 July 2019/2018	146,607,956	17,385,288	143,480,203	16,769,968

16. Other Reserves

16.1 Foreign Exchange Translation Reserve

In the previous financial period, foreign exchange translation reserve represents foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

16.2 Employees Share Option Reserve ("ESOS")

The employees' share option reserve represented the equity-settled share options granted to eligible employees and directors. The reserve was made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and was reduced by the expiry or exercise of the share options.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

16. Other Reserves (Cont'd.)

16.2 Employees Share Option Reserve ("ESOS") (Cont'd.)

On 26 October 2017, the ESOS under the Existing SIS yet to be expired on 28 August 2019 had been terminated and replaced by the New SIS. The ESOS under the New SIS is governed by the New By-Laws, which was approved by shareholders on 17 May 2017. The ESOS is to be in force for a period of 5 years effective from 26 October 2017.

a) The salient features of ESOS under the New and Existing SIS, are as follows:

(i) The ESOS is administered by the Option Committee of the Company.

(ii) Eligible executives are those executives (including fulltime executive directors and chief executive officer) of the Group who have been confirmed in service on the date of the offer. The maximum allowable allotments for the fulltime executive directors have been approved by the shareholders of the Company in a general meeting.

(iii) The aggregate number of shares to be issued under the ESOS shall not be more than 30% of the issued share capital of the Company.

(iv) The Scheme shall be in force for a period of five (5) years with an extension period of another five (5) years from the first grant date.

(v) The option price shall be fixed at the higher of the 5 day weighted average market price of the shares of the Company preceding the date of offer with a discount of not more than 10% (or such discount as the relevant authorities shall permit).

(vi) The number of Shares so offered shall not be less than one hundred (100) Shares no more than the maximum number of allocation granted by the Option Committee in multiples of one hundred (100) Shares.

(vii) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

17. Trade Payables

	2019 RM	2018 RM
Group		
Trade payables	141,204	142,767
Company		
Trade payables	141,204	142,767

The normal trade credit terms granted to the Group and the Company range from 30 days to 120 days (31.7.2018: 30 to 120 days).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

18. Other Payables and Accruals

	Group	
	2019	2018
	RM	RM
Other payables	2,291,303	1,388,389
Accruals	333,384	225,017
At 31 July 2019/2018	2,624,687	1,613,406

	Company	
	2019	2018
	RM	RM
Other payables	2,291,303	1,388,389
Accruals	333,384	225,017
At 31 July 2019/2018	2,624,687	1,613,406

The amount owing to other payables is non-trade in nature, unsecured, interest-free and is repayable upon demand.

19. Net Assets Per Share

Group

The net assets per share is calculated based on the net assets value at the end of the reporting year divided by the number of ordinary shares in issue at the end of the reporting year as follows:

	2019	2018
Net assets value (RM)	11,536,217	12,694,552
Number of ordinary shares in issue (unit)	146,607,956	143,480,203
Net assets value per share (sen)	7.87	8.84

20. Share-Based Compensation Pursuant To ESOS

In the previous financial period, the Group and the Company had on 29 August 2014 granted share options to eligible employees and directors of certain subsidiaries to purchase shares in the Company under the ESOS, which was approved by the shareholders of the Company on 1 June 2015.

Movement in the number of share options is as follows:

	Group and Company	
	2019	2018
At 1 August 2018/ 2017		
Granted	3,026,543	33,809,200
Exercised	-	(30,782,657)
At 31 July 2019/2018	3,026,543	3,026,543

The fair value of the share options granted was estimated by using the Black-Scholes option pricing model, taking into consideration the terms and conditions upon which the options were granted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

20. Share-Based Compensation Pursuant To ESOS (Cont'd.)

The fair value of the share options measured at the grant date with the assumptions are as follows:

	Date of Share Options Granted 29.10.2017
Fair value of share options at the grant date (RM per share)	0.16
Share price (RM)	0.10
Exercise price (RM)	0.29
Expected volatility (%)	77.20
Expected life (years)	5.00
Risk free rate (%)	8.60

	Group and Company	
	2019	2018
Value of employees' services received for issue of share options		
Total expense recognised as share-based compensation pursuant to ESOS	-	-
At 31 July 2019/2018	-	-

21. Revenue

	Group and Company	
	2019	2018
Sales of goods, technical support and maintenance income	1,698,113	1,510,398

Revenue represent billings for sales of software, hardware, technical support and maintenance services less returns and discounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

22. Loss before Taxation

Loss before taxation has been arrived at:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging:-				
Allowance for impairment losses on:				
- Trade receivables	-	1,113,630	-	1,113,630
- Other receivables	2,000,000	2,200,000	2,000,000	2,200,000
Audit fee				
- Current year	85,000	85,000	85,000	85,000
Depreciation of property, plant and equipment	67,323	435,477	67,323	435,477
Directors' remuneration				
- Fees	276,000	239,000	276,000	239,000
- Salaries and allowances	25,000	43,930	25,000	43,930
- Defined contribution plan	-	5,305	-	5,305
- SOCSO	-	576	-	576
Penalty	2,505	16,585	2,505	16,585
Rental	185,975	133,866	185,975	133,866
Staff costs				
- Defined contribution plan	49,769	39,744	49,769	39,744
- Salaries and wages	441,124	327,456	441,124	327,456
- SOCSO	5,923	5,862	5,923	5,862
And crediting:-				
Write back of trade payable	-	39,144	-	39,144
Gain on disposal of property, plant and equipment	-	1,000	-	1,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

23. Income Tax Expenses

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Current tax:				
for the current financial year	-	-	-	-
Over provision in the previous financial year	-	-	-	-
Deferred tax	-	-	-	-
- for the current financial year	-	-	-	-
At 31 July 2019/2018	-	-	-	-

No income tax expenses have been provided in the financial statements for the current year as both the Group and the Company have incurred losses and have no chargeable income.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Loss before taxation	(1,773,606)	(3,871,152)	(1,774,426)	(3,846,285)
Tax at the applicable tax rate of 24% (2018: 24%)	(425,665)	(929,076)	(425,862)	(923,108)
Tax effects arising from:				
Non-deductible expenses	472,430	941,487	471,947	935,993
Other income not subject to tax	(197)	-	-	-
Utilisation of capital allowances	(15,575)	-	(15,575)	-
Utilisation of tax losses	(30,993)	(12,411)	(30,510)	(12,885)
Tax expense/(refund) for the financial year	-	-	-	-

a) Pioneer business

The Company is fully exempted from income tax in respect of its statutory business income derived from Malaysia as the Company has been granted the Multimedia Super Corridor (MSC) status with Pioneer Status tax incentive for 5 years commencing from 11 July 2013.

The extension of the Pioneer Status for the Company for a further 5 years till 11 July 2018 had also been approved by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

23. Income Tax Expenses (Cont'd.)

b) Non-pioneer business

For non-pioneer business, domestic income tax is calculated at the Malaysian statutory tax rate of 24% (31.7.2018: 24%) of the estimated assessable profit of such business for the financial year.

The temporary differences attributable to the deferred tax liability and deferred tax assets which are not recognised in the financial statements are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Temporary differences	(7,989,603)	(7,793,099)	(7,989,603)	(7,793,099)
Unutilised tax losses	(10,059,228)	(10,095,170)	(10,059,228)	(10,095,170)
	(18,048,831)	(17,888,269)	(18,048,831)	(17,888,269)
Potential deferred tax assets at 24% not yet recognised	(4,331,719)	(4,293,185)	(4,331,719)	(4,293,185)

Group and Company

Included in the potential deferred assets is an amount of RM7,989,603 (2018:RM7,989,683) relate to unabsorbed capital allowances of a pioneer status business, which has ceased its operations in the previous financial year.

The Management is of the view that such unabsorbed capital allowances are unlikely to be utilised in the near future.

24. Loss Per Ordinary Share

Basic Loss per Ordinary Share

Basic loss per ordinary share is calculated by dividing the net loss for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the year calculated as follows:

	Group	
	2019	**2018**
	RM	**RM**
Net loss for the financial year attributable to		
- Owners of the Company	(1,775,615)	(3,869,143)
Weighted average number of ordinary shares (unit)		
Issued and paid-up ordinary shares as at 1 August 2018/2017	143,840,203	86,690,450
Effect of share capital reduction during the financial year	-	-
Effect of issuance of new ordinary shares during the financial year	3,822,697	39,684,669
As at 31 July 2019/2018	147,662,900	126,375,119
Basic loss per share for the financial year attributable to equity holders of the Company (sen)	(1.20)	(3.06)

Diluted Loss per Ordinary Share

The basic and diluted loss per ordinary share is the same as the Group has no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

25. Operating Segments

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.

The Group is organised into 2 major operating segments as follows:

(i) Information Technology ("IT") and Information Communication Technology ("ICT") division involved in the research and development, system network support, trading in IT related products (hardware, software and accessories), electronic commerce provider and facilitator, software development and support services and others ("IT and ICT Division"); and

(ii) Investment ("Investment Division").

As the Group has only one reportable segment that is principally engaged in the IT and ICT Division as stated above, accordingly information by operating segment on the Group's operations as required by MFRS 8 is not presented.

Geographical Segments

As the Group predominantly operates in one country that is Malaysia, the information by geographical segments of the Group's operations is not presented.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

26. Key Management Personnel Compensation

The remuneration and benefits of directors and other members of key management during the financial year are as follows:-

The key management personnel of the Group and of the Company include executive directors and nonexecutive directors of the Company.

a) The key management personnel compensation during the financial year is as follows:-

	Group and Company	
	2019	2018
Directors		
Defined contribution plan	-	5,305
Fees	276,000	239,000
Salaries and allowances	25,000	43,871
Share options granted under ESOS	-	-
	301,000	288,176
Other key management personnel		
Defined contribution plan	-	-
Salaries, bonuses and allowances	-	-
Share options granted under ESOS	-	-
	-	-

b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:

	Group and Company	
	2019	2018
Executive Directors		
Below RM50,000	-	1
RM50,001-RM100,000	1	2
RM100,001-RM150,000	-	-
RM150,001-RM200,000	1	-
RM200,001-RM250,000	-	-
RM350,001-RM400,000	-	-
RM400,001-RM450,000	-	-
	2	3
Non-Executive Directors:		
Below RM50,000	4	4
	4	4
Total	6	7

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

27. Contingencies

Legal proceedings

i. *Kuala Lumpur High Court Suit No. WA-28NCC-135-02/2019*
Lor Ching Peng ("LCP") Vs SMTrack Berhad ("the Company")

On 17th June 2016, LCP filed a claim against the Company at the Kuala Lumpur Industrial Court alleging that he was constructively dismissed by the Company and claim for loses and damages suffered by him in respect of the said constructive dismissal.

LCP also applied for reinstatement of his previous position in the Company without losses of salaries, allowances, service and seniority and/or fair and reasonable compensation in lieu.

On 1st September 2016, the Company' s solicitor filed its statement of defense stating that the claimant has earlier voluntarily tendered his resignation by giving a 6 months' notice to the Company, but during certain part of the notice period, he failed to report to work.

The Company's solicitor opined that the claim is unlikely to succeed as LCP has to prove there are breaches of implied terms of trust and confidence by the Company.

On the trial dated 15th January 2018, both parties have reached a peaceful settlement in accordance to the mutually agreed terms where the company agrees to pay to the claimant RM85,000.00 as final settlement. With this settlement the claimant agrees not to makes any claims against the company for his service.

LCP failed in their attempt to wound up the Company.

ii. *Sepang Session Court Suit No: BK52-A52-04-04/2018*
SMTrack Berhad ("the Company") vs Observision Sdn Bhd ("OBS")

The cause of action is breach of sales of goods contract. OBS has failed to pay the amount of goods that the Company have supplied and delivered. The amount of claim is RM152,731.84.

The Company have filed in an application for Summary Judgement under Order 14 Rule 1 of the High Court Rules 2012. Up to date, the Defendant failed to serve an Affidavit In Reply to the Company's application. Thus the Company seek the Court for Order In Term in the Company's submission. The submission was filed on 22nd October 2018 and decision fixed on 8th November 2018.

The Company has succeeded on Summary of Judgment with the amount claimed on 23rd January 2019 but OBS make an appeal to high Court Shah Alam. Suit No: BA-12A-95-12/2018.

On 8th August 2019, the Company went for the Hearing of Appeal. The Court fixed for a decision date on 1st October 2019.

The High Court on 1st October 2019 has dismissed the appeal by OBS with cost of RM5,000.00.

The Company have proceeded with a garnishee proceeding at the Sepang Session Court to freeze OBS account for RM152,731.84. Next Case Management is on 25th November 2019.

OBS dissatisfied with the High Court Decision as filed a Notice of Motion to appeal to the Court of Appeal. The Company have been served with an unseal copy of the Notice and Affidavit in Support. The Company are still waiting for the sealed copy for the Company to reply the said affidavit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

27. Contingencies (Cont'd.)

Legal proceedings (Cont'd.)

iii. *Shah Alam Magistrate Court: Summon No: BA –A72NCC- 124-01/2017*
SMTrack Berhad ("the Company") vs Observision Sdn Bhd ("OBS")

The Company claims against the OBS for RM86,084.57 being payment for the goods supplied by the Company to the OBS. The Company filed application for Summary Judgement and Court allowed the Company application on 29th September 2017.

On 2nd October 2017 the Company was informed that the Shah Alam Magistrate Court was in favor towards the Company where the Court has granted to amend their Statement of Defense and Summary Judgement amount of RM86,084.57.

OBS now has filed an appeal against the decision by the magistrate court. The Case Management was set on 6th December 2017.

Shah Alam High Court:
Appeal No: BA-11ANCC-18-10-2017
Appeal No: BA-11ANCC-17-10/2017
Observision Sdn Bhd ("OBS") vs SMTrack Berhad ("the Company")

These appeals by Observision Sdn Bhd derived from the Company's suit against them that the Company claims for payment amounting of RM86,084.57 in the Shah Alam Magistrate Court. The appeals are against the decision made by same court. Suit No: BA-A72NCC-124-01/2017.

The Court has fixed the hearing on the appeal on 26th November 2018.

The Company already filed the Seizure & Sale and Garnishee Proceedings against Observision Sdn Bhd bank account. Additionally, the Company's solicitor will file the Winding Up Procedure against Observision Sdn Bhd if the amount recovered from the Garnishee and Seizure & Sale Proceeding is not enough to offset the amount awarded.

The appeal was justified, the court had ordered for full trial at the magistrate's court.

The trial was concluded on 11th April 2019 and decision was given on the same date whereas the Company's claim was allowed by the court for the amount of RM86,084.57.

Dissatisfied with the decision, OBS filed an appeal at Shah Alam High Court. It was fixed for Case Management on 26th June 2019. Further It was fixed for Case Management on 22nd October 2019 for the appellant to file Additional Record of Appeal.

On 22nd October 2019, the matter was fixed for decision/clarification on 20th December 2019. The Company have filed the submission against the appeal and now waiting for the Appellant's (OBS) submission for us to reply.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

27. Contingencies (Cont'd.)

Legal proceedings (Cont'd.)

iv. *Sepang Session Court: Summon No: BK-A52NCVC-04-02/2017*
SMTrack Berhad ("the Company") vs Observision Sdn Bhd ("OBS")

The Company claim against OBS for RM461,385.29 being payment for the goods supplied by the Company to the OBS. The Company filed application for summary judgement. Both parties have filed submission.

On November 2017, Sepang Session Court has decided on two application made by the parties in the above said case. Where the Company's application for Summary Judgement for the amount RM461,385.29 under Order 14 of the Rules of the Court 2012 was allowed and OBS's application to amend their Statement of Defense is dismissed.

In the Summary, the Company have succeeded in getting a judgement against OBS for RM466,385.29.

Shah Alam High Court:
Appeal No: BA12ANCVC – 187-12/2017
Appeal No: BA-12ANCVC – 188-12/2017
Observision Sdn Bhd ("OBS") vs SMTrack Berhad ("the Company")

These appeals by Observision Sdn Bhd derived from the Company's suit against them that the Company claim for payment amounting of RM461,385.29 in the Sepang Session Court. The appeals are against the decision made by the Session Court Judge in Sepang Session Court. Suit No: BK-A52NCVC-04-2/2017.

The Court has fixed the appeal for Case Management on 4th October 2018.

The Company's solicitor will file the Seizure & Sale Proceeding and Garnishee Proceedings against Observsion Sdn Bhd bank account. Also, the Company's solicitor will file the winding up procedure against Observision Sdn Bhd if the amount recovered from the Garnishee and Seizure & Sale Proceeding is not enough.

Currently, OBS has appealed to the High Court Shah Alam for dissatisfaction with the judegement against RM466,385.29.

The Court allowed the appeal and the matter was returned back to Session Court for full trial. The matter is fixed for Case Management on 26th December 2019.

v. *Kuala Lumpur High Court: Writ Summon: WA-22NCVC-39-01/2018*
Observision Sdn Bhd ("OBS") vs SMTrack Berhad ("the Company")

On 26th January 2018, OBS has re-filed a writ summon against the company for the breach of the Outsource Service Agreement dated 3rd September 2014 in respect of a project related to "supply, install and commissioning of extra low voltage equipment and infrastructure for certain housing projects".

The lump sum price of the said project awarded was RM1,537,951 but OBS claimed that the Company has breached the contract and claimed for Special damages and liquidated damages of RM493,540 and RM9,950,000 respectively.

The Company's solicitor has looked into all the documents filed by the OBS and has found out that there was no document to show that the Company is a party to a contract.

The Company's solicitor is in the midst to strike out the case on the basis that there is no cause of action towards the Company.

This case was fixed for trial on 18th & 19th October 2018. Thereafter the company filed in the written submission.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

27. Contingencies (Cont'd.)

v. Kuala Lumpur High Court: Writ Summon: WA-22NCVC-39-01/2018
Observision Sdn Bhd ("OBS") vs SMTrack Berhad ("the Company") (Cont'd.)

On 21st January 2019, the judgement was delivered by the Honourable Judge Dato Zaki whereas the court has dismissed OBS's claim and awarded RM10,000.00 as cost to SMTrack. OBS dissatisfied with the decision and filed an appeal at the Court of Appeal Malaysia, Putrajaya by appeal number W-02(NCVC)(W)-244-02/2019.

Court Of Appeal Malaysia, Putrajaya
Appeal No: W-02(NCVC)(W)-244-02/2019
Observision Sdn Bhd ("OBS") vs SMTrack Berhad ("the Company")

On 9th October 2019, The Court fixed the appeal for further Case Management on 25th November 2019. It still pending for the Ground of Judgment from the High Court.

vi. Sepang Session Court Suit No: BK-S1-A52-07-05/2018
SMTrack Berhad ("the Company") vs Lor Ching Peng ("LCP")

The Company has filed a new case against ex-employee of the Company, the cause of action is breach of contract whereby LCP has breached his contract when terminated the contract six (6) months earlier.

The amount of claim is RM102,000.00.

The Court has fixed the trial date on 26th December 2019.

vii. Notice Section 466 (1) (a) Companies Act, 2016
SMTrack Berhad ("the Company") vs Observision Sdn. Bhd. ("OBS")

We have initiated a winding up procedure against OBS based on judgement dated 8th November 2018 [Sepang Session Court Suit No: BK52-A52-04-04/2018].

The Company already send the notice on 24th October 2019.

The Company will start filing the winding up to OBS by December 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

28.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

a) Market Risk

i. Foreign Currency Risk

The Group does not have material foreign currency transactions, assets and liabilities and hence is not exposed to any significant or material currency risk.

ii. Interest Rate Risk

The Group does not have any floating rate borrowings and hence, is not exposed to interest rate risk.

iii. Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other 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 uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.1 Financial Risk Management Policies (Cont'd.)

b) Credit Risk (Cont'd.)

The Company provides corporate guarantees to a supplier for purchases made by a subsidiary. The Company monitors the payments made by the subsidiary.

i. Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 4 (2018:3) customers which constituted approximately 84% (31.7.2018: 88%) of its trade receivables at the end of the reporting period.

ii. Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to a supplier for purchases made by a subsidiary as disclosed under the 'Maturity Analysis' of item (c) below, representing the amount owing to a supplier by its subsidiary as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair values on initial recognition were not material. As at the end of the reporting period, there was no indication that the subsidiary would default on payment.

ii. Ageing Analysis

The ageing analysis of trade receivables at the end of the reporting period is as follows:-

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
Group and Company				
At 31 July 2019				
Not past due	141,509	-	-	141,509
Past due:				
Less than 3 months	141,509	-	-	141,509
3 to 6 months	283,019	-	-	283,019
Over 6 months	1,126,247	-	-	1,126,247
Over 1 year	5,612,922	(3,680,962)	-	1,931,960
	7,305,206	(3,680,962)	-	3,624,244
At 31 July 2018				
Not past due	650,000	-	-	650,000
Past due:				
Less than 3 months	409,626	-	-	409,626
3 to 6 months	-	-	-	-
Over 6 months	470,074	-	-	470,074
Over 1 year	4,089,254	(3,680,962)	-	408,292
	5,618,954	(3,680,962)	-	1,937,992

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.1 Financial Risk Management Policies (Cont'd.)

b) Credit Risk (Cont'd.)

iii. Ageing Analysis

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables *that are past due but not impaired*

The Group believes that no additional impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables *that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.1 Financial Risk Management Policies (Cont'd.)

c) Liquidity Risk (Cont'd.)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
Group			
At 31 July 2019			
Trade payables	141,204	141,204	141,204
Other payables and accruals	2,624,687	2,624,687	2,624,687
	2,765,891	2,765,891	2,765,891
At 31 July 2018			
Trade payables	142,767	142,767	142,767
Other payables and accruals	1,613,406	1,613,406	1,613,406
	1,756,173	1,756,173	1,756,173
Company			
At 31 July 2019			
Trade payables	141,204	141,204	141,204
Other payables and accruals	2,624,687	2,624,687	2,624,687
	2,765,891	2,765,891	2,765,891
At 31 July 2018			
Trade payables	142,767	142,767	142,767
Other payables and accruals	1,613,406	1,613,406	1,613,406
	1,756,173	1,756,173	1,756,173

Note:

* The contractual undiscounted cash flows represent the amount owing to a supplier by a subsidiary at the end of the reporting period. The financial guarantee has not been recognised since its fair values on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.2 Capital Risk 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 its 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. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing borrowings less cash and cash equivalents.

The debt-to-equity ratio as at 31 July 2019 is not presented as it is not applicable since the Group and the Company have no interest-bearing borrowings.

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

28.3 Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 4.5 to the financial statements describe how classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.3 Classification of Financial Instruments (Cont'd.)

The table below provides an analysis of financial instruments as at 30 June 2019 categories as follows:

(a) Amortised Cost ("AC")

	Carrying amount RM	AC RM
Group		
At 31 July 2019		
Financial assets		
Trade receivables	3,624,244	3,624,244
Other receivables and deposits	10,095,923	10,095,923
Cash and bank balances	47,029	47,029
	13,767,196	13,767,196
Financial liabilities		
Trade payables	141,204	141,204
Other payables and accruals	2,624,687	2,624,687
	2,765,891	2,765,891

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
At 31 July 2018			
Financial assets			
Trade receivables	1,937,992	-	1,937,992
Other receivables and deposits	11,914,545	-	11,914,545
Cash and bank balances	21,153	-	21,153
	13,873,690	-	13,873,690
Financial liabilities			
Trade payables	-	142,767	142,767
Other payables and accruals	-	1,613,406	1,613,406
	-	1,756,173	1,756,173

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.3 Classification of Financial Instruments (Cont'd.)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
At 31 July 2019			
Financial assets			
Trade receivables	3,624,244	-	3,624,244
Other receivables and deposits	10,095,923	-	10,095,923
Amount owing by subsidiary company	3,180	-	3,180
Amount owing by associate company	405,200	-	405,200
Cash and bank balances	47,029	-	47,029
	14,175,576	-	14,175,576
Financial liabilities			
Trade payables	-	141,204	141,204
Other payables and accruals	-	2,624,687	2,624,687
	-	2,765,891	2,765,891
At 31 July 2018			
Financial assets			
Trade receivables	1,937,992	-	1,937,992
Other receivables and deposits	11,914,545	-	11,914,545
Amount owing by subsidiary company	380,000	-	380,000
Amount owing by associate company	4,000	-	4,000
Cash and bank balances	21,153	-	21,153
	14,257,690	-	14,257,690
Financial liabilities			
Trade payables	-	142,767	142,767
Other payables and accruals	-	1,613,406	1,613,406
	-	1,756,173	1,756,173

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

28. Financial Instruments (Cont'd.)

28.4 Fair Value Information

a) Determination of Fair Value

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
Financial assets (current)	
Trade receivables	12
Other receivables	10
Amount owing by subsidiary companies	13
Cash and bank balances	14
Financial liability (current)	
Trade payables	17
Other payables	18

The carrying amounts of these financial assets and financial liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the financial period end.

b) Fair Value Hierarchy

As the financial assets and financial liabilities of the Group and of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

29. Significant Events During The Financial Year

i. On 12 August 2016, the Company entered into a memorandum of understanding with shareholders of Wellspring Worldwide Limited ("Wellspring") to acquire 230,000,000 shares representing the entire equity interest in Wellspring ("MOU"). Pursuant to the MOU, the Company and the Vendors irrevocably confirm and agree to enter into the share sale agreement ("SSA") within 6 months from the date of the MOU or such other extended period as may be agreed by the parties. The parties has 20 February 2017 executed a letter of extension to extend the exclusively the period of the MOU to 11 June 2017 and further extended to 31 March 2018 consequently.

   On 18 April 2018 the Company has decided not to proceed with the proposed acquisition after considering, amongst others, financial performance for FYE 31 December 2017 which does not meet the Company's expectation. The Company and Stage 1 Vendors has entered into a Deed of Termination, Release and Discharge to terminate the SSA in due course and the Proposed Rights Issue of Share with Warrants, Proposed MGO and Proposed Private Placement 2 has aborted subsequent to the termination of the SSA.

ii. On 29 January 2018, the Company have entered into a Collaboration Agreement with VFTech Sdn Bhd ("VF Tech") in respect of the Strategic Partnership in the implementation of the vessel fuel intelligent tracker with the real time vessel (GDP/AIS) tracking system worldwide.

   Smart Marine Tech Sdn Bhd ("SMTSB") was incorporated on 20 February 2018 with One Hundred (100) Ordinary Share Capital which has been issued & fully paid by the Company subscribed for 51% of the issued share capital of SMTSB in cash and the balance of 49% is held by VF Tech.

   On 13 September 2018, the Company entered into a Termination Agreement to mutually terminate the Collaboration Agreement dated 29 Jan 2018 the Company and VF Tech Sdn Bhd to implement the vessel fuel intelligent tracker with real time vessel (GPS/AIS) tracking system worldwide. The reason for the termination is VF Tech's financial performance does not meet the Company's expectation.

   In relation with this termination, on 21 September 2018 the Company has acquired the remaining 49% equity interest in Smart Marine Tech Sdn Bhd thus becoming as wholly-owned subsidiary of the Company.

iii. On 8 February 2018, the Company completed the execution of a Supply and Purchase Agreement with Prins Solution Sdn Bhd for the purchase of customized goods, namely LED screen, LED Screen Towers, Wallscape Panels and such other equipment used for digital/electronics advertising purposes ("Goods") at a contract price of RM3,500,000.00 only. The Company purchase the Goods for the purpose of fitting into projects in Penang and Johor. The Supplier must supply to the Company the Goods as per specification required and confirmed by the authorities.

iv. On 3 July 2019, the Company have entered into a Sale of Shares Agreement ("SSA") to acquire three million two hundred and forty thousand (3,240,000) ordinary shares, representing 60% equity interest in Dexma Express Sdn. Bhd. (1183272-K) ("Dexma") from Alvin Heng Jee Shi ("Vendor") for a cash consideration of RM2,800,000.00 ("the Acquisition"). Upon completion of the Acquisition, Dexma will be a 60% owned subsidiary of SMTrack.

   On 23 July 2019, Dexma has changed its name to Citilink Aviation (M) Sdn. Bhd. With effect from 18 July 2019 as stipulated in the Certificate of Incorporation on Change of Name of Company issued by the Companies Commission of Malaysia, which was received by the Company on 23 July 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

29. Significant Events During The Financial Year (Cont'd.)

On 23 September 2019, the acquisition of 60% equity interest in Citilink Aviation (M) Sdn. Bhd. (Formerly known as Dexma Express Sdn. Bhd.) has been completed. Accordingly, Citilink Aviation (M) Sdn. Bhd. (Formerly known as Dexma Express Sdn. Bhd. has become the subsidiary of the Company.

v. On 22 July 2019, the Company have announced that the Company proposed to undertake the Proposed Private Placement.

On 24 July 2019, the listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities").

On 22 August 2019, Bursa Securities had approved the listing of and quotation for up to 14,890,000 new SMTrack Shares to be issued pursuant to the Private Placement. The approval granted by Bursa Securities for the Private Placement is subject to SMTrack must fully comply with the relevant provisions under the ACE Market Listing Requirements of Bursa Securities pertaining to the implementation of the Private Placement, SMTrack to inform Bursa Securities upon the completion of the Private Placement, and SMTrack to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Private Placement is completed.

On 27 August 2019, the Company have fixed the issue price for the first tranche of the Placement Shares at RM0.1960 each ("Issue Price"). The Issue Price represents a discount of approximately RM0.0217 or 9.97% to the 5-day volume weighted average market price of SMTrack Shares up to and including 26 August 2019 of RM0.2177 per SMTrack Share.

On 10 September 2019, the Company have fixed the issue price for the second tranche of the Placement Shares at RM0.2130 each ("Issue Price"). The Issue Price represents a discount of approximately RM0.0231 or 9.78% to the 5-day volume weighted average market price of SMTrack Shares up to and including 6 September 2019 of RM0.2361 per SMTrack Share.

30. Significant Events After The Financial Year

i. On 18 November 2019, the Company have proposed to undertake an issue of up to 88,345,328 free warrants in the Company on the basis of 1 Warrant for every 2 existing ordinary shares in the Company held on an entitlement date to be determined and announced later.

ii. On 16 October 2019, Datuk Tan Choon Hwa (JP, JMK) which is one of the Director of the Company has submitted the Notice of Exercise of Option. The total number of shares to be exercised and listed is 12,900,000 ordinary shares at an option price of RM0.25 per share.

31. Authorisation For Issue Of Financial Statements

These financial statements were authorised for issue on 20 November 2019 by the Board of Directors.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 OCTOBER 2019

TOTAL NUMBER OF ISSUED SHARES	:	176,690,656
CLASSES OF SHARES	:	Ordinary Shares
VOTING RIGHTS	:	One vote per ordinary share (on poll)

ANALYSIS OF SHAREHOLDINGS

Size of Shareholding	No of Holders	%	No. of Shares	%
1 - 99	186	7.15	7,469	0.01
100 – 1,000	526	20.22	193,099	0.11
1,001 - 10,000	986	37.91	4,587,975	2.59
10,001 – 100,000	769	29.57	25,315,453	14.33
100,001 – 8,834,532*	132	5.07	115,625,303	65.44
8,834,533 AND ABOVE**	2	0.08	30,961,357	17.52
TOTAL	**2,601**	**100.00**	**176,690,656**	**100.00**

Remark:

** Less than 5% of issued shares*
*** 5% and above issued shares*

SUBSTANTIAL SHAREHOLDER

As per the Register of Substantial Shareholders

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
Datuk Tan Choon Hwa (JP, JMK)	31,211,357	17.66	-	-
TOTAL	31,211,357	17.66	-	-

DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
Azmi Bin Osman	-	-	-	-
Datuk Tan Choon Hwa (JP, JMK)	31,211,357	17.66	-	-
Chow Hung Keey (Resigned on 5 November 2019)	250,000	0.14	-	-
Ng Swee Tuo (Appointed on 21 June 2019)	-	-	-	-
Dato Haji Rosly Bin Abas (Appointed on 8 November 2019)	-	-	-	-
Mahnorizal Bin Mahat (Appointed on 8 November 2019)	-	-	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 31 OCTOBER 2019
Cont'd

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Shares
1.	DATUK TAN CHOON HWA (JP, JMK)	18,036,857	10.21
2.	DATUK TAN CHOON HWA (JP, JMK)	12,924,500	7.32
3.	DATUK ABDUL HAMED BIN SEPAWI	8,550,000	4.84
4.	JACQUELINE LEE FEI FEI	7,445,000	4.21
5.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES FOR RAKUTEN TRADE SDN BHD FOR TAI TEAN SENG	7,445,000	4.21
6.	CHUNG KAH HAUR	7.098,100	4.02
7.	TAN AH LEE	5,610,000	3.18
8.	KOH CHEE MENG	4,457,500	2.52
9.	CH'NG KOOI HEAN	3,800,000	2.15
10.	OOI ENG LEONG	3,790,000	2.15
11.	KHOO CHIN THES	3,500,000	1.98
12.	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH WAI LOEN (PNG)	3,410,000	1.93
13.	KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT ZHANG LI (029)	2,980,000	1.69
14.	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW PIT KOON (M&A)	2,587,000	1.46
15.	ISABELLE TAN ZHIA-YI	2,500,000	1.42
16.	KIBARAN HASRAT SDN BHD	2,125,000	1.20
17.	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR HO BING YU	2,116,800	1.20
18.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,864,000	1.06
19.	SOO CHIN KANG	1,572,200	0.89
20.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH CHEE TEONG	1,500,000	0.85
21.	SYARIKAT PERKAPALAN SOO HUP SENG SDN BHD	1,500,000	0.85
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH ENG HUAT (E-TAI)	1,250,000	0.71
23.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GUAN SENG (MLK)	1,250,000	0.71
24.	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR MONEX BOOM SECURITIES (HK) LIMITED	1,132,400	0.64
25.	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUNG KAH HAUR (M&A)	1,071,000	0.61
26.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH ENG HUAT (M01)	1,000,000	0.57
27.	ONG NGOH ING @ ONG CHONG OON	1,000,000	0.57
28.	TAN ENG SIANG	1,000,000	0.57
29.	HO KAN TENG	950,000	0.54
30.	CHUNG KIM FATT	930,000	0.53
		114,395,357	64.79

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of SMTRACK BERHAD will be held at Meeting Room 2, TAN'YAA Hotel by Ri-Yaz of G-02, Ground Floor, Primera Suite, Block 3520, Jalan Teknokrat 6, Cyber 5, 63000 Cyberjaya, Selangor Darul Ehsan on Friday, 27 December 2019 at 10.30a.m. for the following purposes:-

A G E N D A

1. To receive the Audited Financial Statements for the financial year ended 31 July 2019 together with Reports of the Directors' and the Auditors' thereon. **Please refer to Note 7**

2. To approve the additional payment of Directors' fees of RM202,000 for the financial year ended 31 July 2019. **Ordinary Resolution 1**

3. To approve the Directors' fees and benefits of payable up to an amount of RM324,000 for the period from 1 August 2019 until the next Annual General Meeting of the Company to be held in 2020. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire pursuant to Article 95 of the Articles of Association of the Company:-

   (i) Ms. Ng Swee Tuo **Ordinary Resolution 3**
   (ii) Dato Haji Rosly Bin Abas **Ordinary Resolution 4**
   (iii) Encik Mahnorizal Bin Mahat **Ordinary Resolution 5**

5. To re-elect the following Director who retires pursuant to Article 88 of the Articles of Association of the Company:-

   (i) Encik Azmi Bin Osman **Ordinary Resolution 6**

6. To re-appoint Messrs. Jamal, Amin & Partners as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

As Special Business

To consider and, if thought fit, to pass the following Resolutions:-

7. **AUTHORITY FOR DIRECTORS TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016**

   "**THAT**, subject always to the Companies Act, 2016 (the "Act"), Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act, 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company **AND THAT** the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof;

   AND THAT the Directors of the Company are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad." **Ordinary Resolution 8**

8. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION OF NEW CONSTITUTION")**

   "**THAT** the existing Company's Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in Appendix A to Shareholders accompanying the Company's 2019 Annual Report be replaced thereof and adopted as the new Constitution of the Company with immediate effect.

   AND THAT the Directors of the Company be and are hereby authorised to do all such acts and take such steps that may be necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities." **Special Resolution**

9. To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Companies Act, 2016 and the Articles of Association of the Company.

BY ORDER OF THE BOARD
WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Selangor Darul Ehsan
Date : 29 November 2019

NOTES :

1. A member entitled to attend and vote at the meeting of the Company is entitled to appoint up to two (2) proxies to attend and vote in his stead, and that a proxy may but need not be a Member.

2. Where a member appoints more than one proxy to attend at the same meeting, the instrument of proxy must specifies the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each securities account ("Omnibus account") it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarized certified copy of that power or authority, shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting and any adjournment thereof.

6. In respect of deposited securities, only a member whose names appear on the Record of Depositors on 20 December 2019 shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/vote on his behalf.

7. Agenda 1 is to table the Audited Financial Statements pursuant to the provision of Section 340(1)(a) of the Companies Act, 2016 and is meant for discussion only. It does not require a formal approval and/or adoption by the shareholders of the Company and hence, Agenda 1 is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 8
- **Resolution pursuant to Section 76 of the Companies Act, 2016**

The Proposed Ordinary Resolution 8, if passed, is to give the Directors of the Company flexibility to issue and allot shares up to an amount not exceeding ten (10) per centum of the Company's total number of issued share capital for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions. This authority will expire at the conclusion of the next AGM of the Company or at the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the last AGM held on 24 December 2018 which will lapse at the conclusion of this AGM.

On 22 August 2019, Bursa Securities granted approval for the listing of and quotation of up to 14,890,000 new ordinary shares ("Proposed Private Placement") on the ACE Market of Bursa Securities pursuant to the last mandate obtained on 24 December 2018. Hence, there no proceed was raised during the financial year ended 31 July 2019.

Special Resolution
- **Proposed Adoption of New Constitution**

The Special Resolution will align the Constitution of the Company with the relevant provisions of the Companies Act, 2016, the updated ACE Market Listing Requirements of Bursa Securities and the prevailing statutory and regulatory requirements, as well as to provide clarity and consistency.

The Proposed Adoption of New Constitution also include the amendment to one of the objects clause of the Company to property development ("Proposed Activity"). The Proposed Activity will enable the Group to venture into new revenue stream which may in turn improve the shareholders' value.

The proposed New Constitution is set out in the Appendix A accompanying the Annual Report.

This special resolution needs a majority of not less than seventy-five percent (75%) of such members who are entitled to vote either in person or by proxy.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Fourteenth Annual General Meeting of SMTrack Berhad are as follows:

   i. Ms. Ng Swee Tuo
   ii. Dato Haji Rosly Bin Abas
   iii. Encik Mahnorizal Bin Mahat
   iv. Encik Azmi Bin Osman

   The profile of the Directors who are standing for re-election is set out on page 7 and 8 of this Annual Report.

2. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 July 2019 are disclosed in the Corporate Governance Statement set out on page 19 of this Annual Report.

3. The details of the Fourteenth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Friday, 27 December 2019	10.30 a.m.	Meeting Room 2, TAN'YAA Hotel by Ri-Yaz of G-02, Ground Floor, Primera Suite, Block 3520, Jalan Teknokrat 6, Cyber 5, 63000 Cyberjaya, Selangor Darul Ehsan

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SMTRACK BERHAD (639421-X)
(Incorporated in Malaysia)

CDS Account No.	
No. of shares held	

PROXY FORM

I/We, ____________________ IC No./ID No./Company No. ____________________

of ____________________

being a member of SMTRACK BERHAD hereby appoint ____________________

IC No./ID No. ____________________ of ____________________

or failing him/her, ____________________ IC No./ID No. ____________________

of ____________________

or failing him/her, *the Chairman of the Meeting as my/our proxy to vote and act for me/us, and on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Meeting Room 2, TAN'YAA Hotel by Ri-Yaz of G-02, Ground Floor, Primera Suite, Block 3520, Jalan Teknokrat 6, Cyber 5, 63000 Cyberjaya, Selangor Darul Ehsan, Malaysia on Friday, 27 December 2019 at 10.30 a.m. and at any adjournment thereof.

** Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

My/our proxy is to vote as indicated below:

	Resolution	For	Against
Ordinary Resolution 1	To approve the additional payment of Directors' fees of RM202,000 for the financial year ended 31 July 2019		
Ordinary Resolution 2	To approve the Directors' fees and benefits of payable up to an amount of RM324,000 for the period from 1 August 2019 until the next Annual General Meeting of the Company to be held in 2020		
Ordinary Resolution 3	Re-election of Ms. Ng Swee Tuo as Director		
Ordinary Resolution 4	Re-election of Dato Haji Rosly Bin Abas as Director		
Ordinary Resolution 5	Re-election of Encik Mahnorizal Bin Mahat as Director		
Ordinary Resolution 6	Re-election of Encik Azmi Bin Osman as Director		
Ordinary Resolution 7	Re-appointment of Messrs Jamal, Amin & Partners as the Company's Auditors and to authorise the Directors to fix their remuneration		
Ordinary Resolution 8	Authority under Section 76 of the Companies Act, 2016 for the Directors to allot and issue shares		
Special Resolution	Proposed Adoption of New Constitution of the Company		

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

____
Signature/Common Seal

Date: ____________________

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

NOTES:

1. *A member entitled to attend and vote at the meeting of the Company is entitled to appoint up to two (2) proxies to attend and vote in his stead, and that a proxy may but need not be a Member.*
2. *Where a member appoints more than one proxy to attend at the same meeting, the instrument of proxy must specifies the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each securities account ("omnibus account") it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarized certified copy of that power or authority, shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting and any adjournment thereof.*
6. *In respect of deposited securities, only a member whose names appear on the Record of Depositors on 20 December 2019 shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/vote on his behalf.*

Fold This Flap For Sealing

Then Fold Here

AFFIX STAMP

The Company Secretary

SMTRACK BERHAD (639421-X)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

1st Fold Here

SMTRACK
SMTRACK BERHAD (639421-X)
Suite 7.01A, Level 7, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Wilayah Persekutuan Kuala Lumpur
T +603 2201 4131 W www.smtrackberhad.my

To: All Shareholders of SMTrack Berhad ("the Company")

ERRATA TO THE ANNUAL REPORT 2019

Dear Sir/Madam,

We refer to the Annual Report 2019 of the Company which was submitted to Bursa Malaysia Securities Berhad and despatched to the shareholders of the Company on 29 November 2019.

We wish to rectify the following errors as contained in the Annual Report 2019:-

1. Note 11 of Page 91 – Delete the word "Refer also to Note 27" under first paragraph.
2. Note 11 of Page 91 – Delete the word "as disclosed in Note 27 to the financial statements" under last paragraph.
3. Note 15 of Page 93 – The Number of Shares as at 31 July 2019 should be 148,900,656.

We enclose herewith the amended pages 91 and 93 of the Annual Report 2019 of the Company for your easy reference.

Save for the above-mentioned amendment, all other information in the Annual Report 2019 remains unchanged.

We regret for any inconvenience caused.

Your faithfully
SMTRACK BERHAD

AZMI BIN OSMAN
Executive Chairman

19 December 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

11. Advances to the Then Joint Operation Entity

On 10 March 2016, the Company entered into a joint venture agreement ("JVA") with Cherish Words Sdn Bhd ("CWSB") to form an "unincorporated joint operation" to participate in a joint venture for subcontracting works.

Gandingan Mutiara Sdn Bhd ("GMSB") which is the main contractor for the Development Project that was awarded by FELDA to carry out the Development Project for a total sum of RM34,543,850 on 6 January 2014.

Subsequently on 16 March 2016, the parties entered into a supplemental joint venture agreement to amend the terms of the JVA.(the JVA and the supplementary JVA are collectively referred to as "the JVAs")

The salient terms of the JVAs, amongst others, are as follows:

i. The Company agreed to participate in the subcontracting work by way of working capital contribution of RM3,700,000 in cash for the purposes of carrying out the balance of works for the Development Project awarded by GMSB.

ii. Any profits as may be derived from the joint operations shall be first utilised to repay the working capital contributions to the Company.

The percentage of participation, execution of works and sharing of the profits arising out of the performance of the Development Project between the parties shall be on 50%:50% basis.

Movement in advance's made by the Company during the current financial year/ period is as follows:

	Group and Company	
	2019	2018
	RM	RM
At 1 August 2018/2017	-	-
Additional/repayments	-	-
Transferred to other receivables :		
- Amount to be settled by the joint operating entitity	-	-
At 31 July 2019/2018	-	-

The Joint Venture Agreements were terminated on 28 July 2017 by mutual consent, and the outstanding amount of RM4,944,000 will be settled via contra of properties.

SMTRACK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2019

15. Share Capital

	Group and Company			
	31.7.2019		31.7.2018	
	Number of shares (Unit)	RM	Number of shares (Unit)	RM
Issued and fully paid:				
At 1 August 2018/2017	143,480,203	16,769,968	86,690,450	8,669,045
Transfer from Share Premium	-	-	-	-
Share Capital reduction (4 to 1)	-	-	-	-
	143,480,203	16,769,968	86,690,450	8,669,045
New issued and paid up share capital	5,420,453	615,320	56,789,753	8,100,923
At 31 July 2019/2018	148,900,656	17,385,288	143,480,203	16,769,968

16. Other Reserves

16.1 Foreign Exchange Translation Reserve

In the previous financial period, foreign exchange translation reserve represents foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

16.2 Employees Share Option Reserve ("ESOS")

The employees' share option reserve represented the equity-settled share options granted to eligible employees and directors. The reserve was made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and was reduced by the expiry or exercise of the share options.

www.smtrackberhad.my

SMTRACK BERHAD (639421-X)

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MSC MALAYSIA Status Company

SMTRACK BERHAD
(639421-X)

GS1 EPCglobal