



# SMTRACK

ANNUAL REPORT 2018

STAYING A STEP AHEAD

**FOR A BETTER FUTURE**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Azmi Bin Osman (re-designated on 22 November 2018)

*(Executive Chairman)*

Mohd Anuar Bin Mohd Hanadzlah (Resigned on 12 December 2017)

*(Executive Chairman)*

Datuk Tan Choon Hwa (JP, JMK)

*(Executive Director)*

Chow Hung Keey

*(Senior Independent Non-Executive Director)*

Anthony Goh Shee Hiang

*(Independent Non-Executive Director)*

Datin Sri Noraini Binti Abdul Jalil (Resigned on 12 December 2017)

*(Independent Non-Executive Director)*

Zheng, ZhuoXuan (Appointed on 15 November 2018)

*(Independent Non-Executive Director)*

Ng Swee Tuo (Appointed on 7 March 2018 and Resigned on 15 November 2018)

*(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](mailto:info@smtrackberhad.my)

### AUDIT & RISK MANAGEMENT COMMITTEE

Chow Hung Keey (*Chairman*)

Anthony Goh Shee Hiang (*Member*)

Datin Sri Noraini Binti Abdul Jalil (*Member*) (Resigned on 12 December 2017)

Zheng, ZhuoXuan (*Member*) (Appointed on 15 November 2018)

Ng Swee Tuo (*Member*) (Appointed on 7 March 2018 and Resigned on 15 November 2018)

### NOMINATING COMMITTEE

Chow Hung Keey (*Chairman*)

Anthony Goh Shee Hiang (*Member*)

Datin Sri Noraini Binti Abdul Jalil (*Member*) (Resigned on 12 December 2017)

Zheng, ZhuoXuan (*Member*) (Appointed on 15 November 2018)

Ng Swee Tuo (*Member*) (Appointed on 7 March 2018 and Resigned on 15 November 2018)

### REMUNERATION COMMITTEE

Azmi Bin Osman (*Chairman*)

Mohd Anuar Bin Mohd Hanadzlah (*Member*)

(Resigned on 12 December 2017)

Chow Hung Keey (*Member*)

Anthony Goh Shee Hiang (*Member*)

### AUDITORS

Jamal, Amin & Partners (AF 1067)

No. 62-2, 1<sup>st</sup> 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 Corporate Services (KL) Sdn Bhd (3775-X)

Lot 6.05, Level 6, KPMG Tower

8 First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan

Tel: (603) 7720 1188

Fax: (603) 7720 1111

### 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:

<b>SMTRACK Berhad</b>		
Date / Country of incorporation	12.01.2004 / Malaysia	
Issued paid-up capital (RM)	16,769,968.03 as at the report date	
Principal activities	Provision of RFID solutions for various applications	
	30%	<b>Smartag Technologies Sdn. Bhd.</b>
		Date / Country of incorporation
		27.11.2002 / Malaysia
		Issued paid-up capital (RM)
		50,098
		Principal activities
		Currently dormant
	50%	<b>My Record Sdn. Bhd.</b>
		Date / Country of incorporation
		11.03.2010 / Malaysia
		Issued paid-up capital (RM)
		10,030,000
		Principal activities
		R&D on information technologies
	100%	<b>Smart Marine Tech Sdn. Bhd.</b>
		Date / Country of incorporation
		20.02.2018 / Malaysia
		Issued paid-up capital (RM)
		100
		Principal activities
		To provide vessel fuel intelligent tracking system

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS

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 2018 of SMTrack Berhad.

On Behalf of the Board of Directors, I wish to extend my thanks to the staff and management in their dedication in carrying out their duties over the past year. I would like to thank our customers, shareholders, business partners, government authorities and business associates for their continue support and trust.

Further information of SMTRack's performance in the financial year is detailed in the Management Discussion and Analysis on page 8.

**Azmi Bin Osman**  
**Executive Chairman**

## DIRECTORS' PROFILE

### **AZMI BIN OSMAN**

*Executive Chairman*

*Age 42, Male, Malaysian*

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**Azmi Bin Osman** was appointed to the Board on 9 November 2017 and was subsequently re-designated a Executive Chairman on 22 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 does not have any family relationship with any director and/or substantial nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences, other than traffic offences, within the past five years.

### **DATUK TAN CHOON HWA (JP, JMK)**

*Executive Director*

*Age 60, Male, Malaysian*

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**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 sits on the board of directors of Ni Hsin Resources Berhad, APFT Berhad and MGB Berhad.

He does not have any family relationship with any director and/or substantial shareholder, nor any conflict of interest in any business arrangement involving the Company. 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.

**CHOW HUNG KEEY***Senior Independent Non-Executive Director**Age 30, Male, Malaysian*


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**Chow Hung Keey** was appointed to the Board on 31 December 2015. He is currently the Chairman of Audit and Risk Management Committee and Nomination Committee and a member of Remuneration Committee.

Mr. Chow is a member of the Association of Chartered Certified Accountants ("ACCA"). He was an associate in the audit department at KPMG Malaysia before joining one of Malaysia's largest banks, CIMB, as a private financial advisor, advising on the accounts of selected high-net-worth clients. He was then promoted to Senior Relationship Manager, making him one of the youngest senior relationship managers at CIMB in Malaysia. He is a member of MII, IBBM & ACCA.

In 2012, with his experience in Financing, Banking & Investment Advisory, together with his strong connection with High Net worth Clients, at the age of 24, he was successfully being appointed as Business Development Director for Lead All Investments Limited, an investment company which is listed in UK. He was also the Executive Director for Inix Technologies Holdings Berhad from 2012 to 2015.

He does not have any family relationship with any director and/or substantial shareholder, nor any conflict of interest in any business arrangement involving the Company. 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.

**ANTHONY GOH SHEE HIANG***Independent Non-Executive Director**Age 52, Male, Malaysian*


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**Anthony Goh Shee Hiang** was appointed to the Board on 14 March 2016. He is currently the member Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

He holds a Bachelor of Engineering, Degree in Civil Engineering from RMIT, Melbourne, Australia in 1990. He is a registered Adjudicator for the Construction Industry Payment and Adjudication Act under the Kuala Lumpur Regional Centre of Arbitration ("KLRC") and a member of the Institute of Engineers Malaysia, Board of Engineers Malaysia and the Malaysian Society of Adjudicators.

His career spanned a wide array of industries which included engineering consultancy, housing development, construction and steel fabrication, oil & gas and the power generation industries. He has worked for private development and construction companies and multinational companies such as Shell, Alstom and General Electric group of companies. He has also been involved with a multitude of projects located in Singapore, Australia, China, United Kingdom, Middle East, Indonesia and Malaysia.

He has extensive experience in civil engineering, project management and contract and risk management and had held various senior positions in several private and multinational companies, namely among others, ISHI POWER Sdn Bhd (Subsidiary of IHI, Japan), Alstom Asia Pacific Sdn Bhd and General Electric group of companies.

He is currently employed as the Regional Contracts Director for General Electric (Asia Pacific), a multinational company involved in engineering, procurement, construction and commissioning of power plants.

He is currently a shareholder and director of Serendah Garden Sdn Bhd, Juara Gemilang Sdn Bhd and Loong Wah Enterprise Sdn Bhd.

He does not have any family relationship with any director and/or substantial shareholder, nor any conflict of interest in any business arrangement involving the Company. 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.

**ZHENG, ZHUOXUAN**

*Independent Non-Executive Director*

*Age 43, Male, Chinese (Republic of China)*

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**Zheng, ZhuoXuan** was appointed to the Board on 15 November 2018. He is currently the member Audit and Risk Management Committee and Nomination Committee.

Mr. Zheng graduated from Beijing Business Institution. He started his career as operation director of the Guangzhou Branch of Jinghai Industrial Corporation, and supervised the commercial real estate and transportation industries. During the period, he organized and participated in the planning and construction projects of Guangzhou Baiyun Airport and Shenzhen Yantian Port International Freight Port.

He left Jinghai Industrial Corporation and joined Shenzhen Yimai Investment Management Company in year 2010 as General Manager. He also the Chairman of Hong Kong Yimai Technology Group. He currently the Chairman of Renbangtai Group, Chairman of Maya Group, founded his own brand (Ban Die). He has accumulated a wealth of management and practical experience.

He does not have any family relationship with any director and/or substantial nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences, other than traffic offences, within the past five years.



# MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors of SMTrack Berhad, 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 2018 and the outlook for the year 2019.

## OVERVIEW

SMTrack Berhad, 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 RM 16,448,000 comprising 143,480,000 shares at 7 November 2018. Accordingly, the concept of “authorised share capital” and “par value” have been abolished.

## FINANCIAL RESULTS REVIEW

The group recorded a revenue of RM 1.510 mil for financial year ended (FYE) 2018 as compared to RM 2.693 mil registered in FYE 2017. This represent a decrease of RM 1.183 mil or 43.93%. The group registered a loss after tax and controlling interest of RM 3.871 mil as compared to RM 7.384 mil in FYE 2017. The decrease in loss is due to cost cutting exercise and reduction is the administrative expenses included also in the nett loss for year is 3.3 mil impairment of receivable.

Total current assets of the Group increased from RM8.874 mil in FYE 2017 to RM 14.254 mil in FYE 2018 due to increase in trade receivables. Other receivables dropped by RM 0.344 mil to RM 11.915 mil due to recovered from deposit receivable.

The group trade payables increased by 0.046mil to RM 0.143 mil from RM 0.188 mil in previous year. However, other payables registered an increase by RM 0.767 mil to RM 1.163 mil from RM 0.836 mil in previous year.

The group currently has no short term and long-term borrowings and has sufficient 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. Efforts are being planned by increasing the staff strength in sales and marketing department. Though it is in a planning stage, the group is optimistic that increasing staff will be a boost to company’s aspiration to be 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 is exploring vibrant opportunities presented in the civil engineering and construction projects as well as food chain business.

It is expected that this year would be a tough year for most companies in Malaysia after change of new government. But the group is very optimistic towards the Malaysia economic outlook over the year. Moving forward, we expect the financial performance of the Group will be improved by the gradual executing the Group’s focus on strategic businesses.

# 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 of Choice" by providing our customers with quality products at most competitive price.
- Maximize the customer satisfaction - 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 right from incoming materials, up to final inspection of the finished product. 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 non-conformance 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.

## Education / Quality Training

The company sends technical and engineering staff for periodical trainings to upgrade their skills. This will enhances their performance and productivity while at the same time, increase their value and future marketability. Our Company utilizes 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. We accept internship program by providing on job training to students from universities, colleges, polytechnics and other technical / vocational institutional.

### **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. Fifty percent of the lights are energy-saving LED lights and efforts are being made to reduce wastage further in the organisation. Water and electricity consumption are monitored closely; and technical and engineering errors are minimised to prevent unnecessary use of materials and resources. Our employees are also reminded to reduce stationery 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. The Company also separates recyclable wastes and engages a vendor to collect these waste for recycling purposes.

### **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 HR 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**

The Company recognized the importance of pollution prevention and environmental protection by reducing the usage of the hazardous compounds in materials which are essential in maintaining the environment. The manufacturing plants and offices – are fully equipped with CCTVs and fire extinguishers to ensure safety. The management and employees 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 management office 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 many other similar products are facing a slowdown in demand, the Company foresees sustainable in the current fiscal year. This is due to new orders received from financially viable as compared to outsourcing the orders to Asian countries. Another major factor is due to growth in social media and cloud computing which turns out to be added advantage for the company.

# 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”) during the financial year ended 31 July 2018. 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 2018 of the Company which is available on SMTrack’s website at [www.smtrackberhad.my](http://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 Listing Requirements of Bursa Malaysia Securities Berhad for ACE Market 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 Associate 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) Non-Executive Directors as follows:-

	<b>Directors</b>	<b>Number of Meetings Attended</b>	<b>Percentage of Attendance (%)</b>
Chairman:	Mr. Chow Hung Keey (Senior Independent Non-Executive Director)	1/1	100
Members:	Mr. Anthony Goh Shee Hiang (Independent Non-Executive Director)	1/1	100
	Datin Sri Noraini Binti Abdul Jalil (Resigned on 12 December 2017) (Independent Non-Executive Director)	N/A	N/A
	Ms. Ng Swee Tuo (Appointed on 7 March 2018 and Resigned on 15 November 2018) (Independent Non-Executive Director)	N/A	N/A
	Mr. Zheng, ZhuoXuan (Appointed on 15 November 2018) (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 period ended 31 July 2018, 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) assess the fitness and propriety of the Directors;
- iv) assess 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:

	<b>Directors</b>	<b>Number of Meetings Attended</b>	<b>Percentage of Attendance (%)</b>
Chairman:	Encik Azmi Bin Osman (Executive Chairman)	1/1	100
	Encik Mohd Anuar Bin Mohd Hanadzlah (Resigned on 12 December 2017) (Executive Chairman)	N/A	N/A
Members:	Mr. Chow Hung Keey (Senior Independent Non-Executive Director)	1/1	100
	Mr. Anthony Goh Shee Hiang (Independent Non-Executive Director)	1/1	100

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 comprises three (3) Independent Non-Executive Directors. During the financial period ended 31 July 2018, the Audit & Risk Management Committee held a total of five (5) meetings.

The Audit & Risk Management Committee'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 Audit & Risk Management Committee.

#### **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, changes to management 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 takes 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 considers 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 period ended 31 July 2018 is as follows:

	Salaries RM	Allowances RM	Fee RM	Others RM	Total RM
<u>Executive Directors</u>					
Azmi Bin Osman	-	-	72,000	-	72,000
Datuk Tan Choon Hwa (JP, JMK)	-	-	60,000	-	60,000
Mohd Anuar Bin Mohd Hanadzlah (Resigned on 12 December 2017)	43,870.97	-	-	5,648.55	49,519.52
<u>Non- Executive Directors</u>					
Chow Hung Keey	-	-	36,000	-	36,000
Anthony Goh Shee Hiang	-	-	36,000	-	36,000
Datin Sri Noraini Binti Abdul Jalil (Resigned on 12 December 2017)	-	-	20,000	-	20,000
Ng Swee Tuo (Appointed on 7 March 2018 and Resigned on 15 November 2018)	-	-	15,000	-	15,000

## REINFORCE INDEPENDENCE

The Board performs 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 period ended 31 July 2018.

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

<b>Directors</b>	<b>Number of Board Meetings Attended</b>	<b>Percentage of Attendance (%)</b>
Encik Azmi Bin Osman Executive Chairman	4/4	100
Encik Mohd Anuar Bin Mohd Hanadzlah (Resigned on 12 December 2017) Executive Chairman	2/2	100
Datuk Tan Choon Hwa (JP, JMK) Executive Director	3/5	60
Mr. Chow Hung Keey Senior Independent Non-Executive Director	3/5	60
Mr. Anthony Goh Shee Hiang Independent Non-Executive Director	5/5	100
Datin Sri Noraini Binti Abdul Jalil (Resigned on 12 December 2017)	1/2	50
Ms. Ng Swee Tuo (Appointed on 7 March 2018 and Resigned on 15 November 2018) Independent Non-Executive Director	1/2	50
Mr. Zheng, ZhuoXuan (Appointed on 15 November 2018) (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 23 to 25 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 Audit & Risk Management Committee.

## **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 Audit & Risk Management Committee and is authorised to conduct independent audits on all the departments and offices within the Group and reports the findings to the Audit and Risk Management Committee quarterly.

The Audit & Risk Management Committee reviews, deliberates and decides 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](http://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](mailto:info@smtrackberhad.my) or phone 03 2201 4131.

## AUDIT & 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: Mr. Chow Hung Keey  
(Senior Independent Non-Executive Director)

Members: Mr. Anthony Goh Shee Hiang  
(Independent Non-Executive Director)

Datin Sri Noraini Binti Abdul Jalil (Resigned on 12 December 2017)  
(Independent Non-Executive Director)

Ng Swee Tuo (Appointed on 7 March 2018 and Resigned on 15 November 2018)  
(Independent Non-Executive Director)

Zheng, ZhuoXuan (Appointed on 15 November 2018)  
(Independent Non-Executive Director)

### SECRETARY

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

### MEETINGS

During the financial period ended 31 July 2018, 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:	Mr. Chow Hung Keey (Senior Independent Non-Executive Director)	3/5	60
Members:	Mr. Anthony Goh Shee Hiang (Independent Non-Executive Director)	5/5	100
	Datin Sri Noraini Binti Abdul Jalil (Resigned on 12 December 2017) (Independent Non-Executive Director)	1/2	50
	Ms. Ng Swee Tuo (Appointed on 7 March 2018 and Resigned on 15 November 2018) (Independent Non-Executive Director)	1/2	50

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 2018.

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 auditor, 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) report

review the following of the internal audit function:-

- the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- 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 period ended 31 July 2018 amounted to RM6,500.00.

# 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 SMTrack Berhad 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 2018 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 recognises 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 Committee 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 Audit Committee and the Board on a



quarterly basis for review, effective 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 Audit Committee, 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.

#### **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 Audit and Assurance Practise Guide 3 (AAPG 3) Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. 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.

AAPG 3 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 Bursa Malaysia Securities Berhad ACE Market Listing Requirement and for no other purpose or parties. The External Auditor 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 2018 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 23 November 2018

## 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.

## ADDITIONAL COMPLIANCE INFORMATION

### 1.0 Utilisation of Proceeds

There were no proceeds raised from corporate exercise during the financial year ended 31 July 2018.

### 2.0 Employees Share Issuance Scheme

During the financial year ended 31 July 2018, a total of 33,809,264 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 2018 are set out in the table below:-

Description	Number of Options as at 31 July 2018	
	Total	Directors
Granted	33, 809,264	33, 809,264
Exercised	33, 809,264	33, 809,264
Outstanding	-	-

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

Directors and Senior Management	During the financial year 2018	Since commencement up to 31 July 2018
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 2018.

### 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 2018.

## 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.

## Financial Statements

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## 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 2018.

### 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	(3,871,152)	(3,846,285)
Attributable to:		
Owners of the Company	(3,869,143)	(3,846,285)
Non-controlling interests	(2,009)	-
	<u>(3,871,152)</u>	<u>(3,846,285)</u>

### Dividends

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 July 2018.

### 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 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 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 28 to the financial statements.

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 6 September 2017, a private placement of 17,000,000 new ordinary shares in SMTRACK BERHAD ("smtrack") ("smtrack shares") for RM0.14 each shares
- ii. On 21 September 2017, a private placement of 9,007,100 new ordinary shares in SMTRACK BERHAD ("smtrack") ("smtrack shares") for RM0.13 each shares
- iii. On 2 August 2017, an exercise of Shares Issuance Scheme of 23,125,000 unit of share equivalent to RM0.16 per unit.
- iv. On 18 April 2018, an exercise of Shares Issuance Scheme of 7,657,657 unit of share equivalent to RM0.11 per unit.

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

### **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 17.3 to the financial statements.

As at 31 July 2018, the option offered to take up unissued ordinary share and the exercise price are as follows:

Date of Offer	Exercise price	Number of option over ordinary share			
		At 1.8.2017	Granted	Exercised	At 31.7.18
07 December 2017	RM 0.16	-	27,047,411	(27,047,411)	-
23 July 2018	RM 0.11	-	6,761,853	(3,735,246)	3,026,607
		<u>-</u>	<u>33,809,264</u>	<u>(30,782,657)</u>	<u>3,026,607</u>

The name of option holders who have been granted options to subscript during the financial year are as follows:

Name	Number of option
Datuk Tan Choon Hwa	33,809,264

## Directors

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

Chow Hung Keey	
Anthony Goh Shee Hiang	
Datuk Tan Choon Hwa	
Azmi Bin Osman	Re-designated on 22.11.2018
Ng Swee Tuo	Appointed on 07.03.2018 and Resigned on 15.11.2018
Zheng, ZhuoXuan	Appointment on 15.11.2018
Datin Sri Noraini Binti Abdul Jalil	Resigned on 12.12.2017
Mohd Anuar Bin Mohd Hanadzlah	Resigned on 12.12.2017

In accordance with Article of the Company's Articles of Association, Zheng, ZhuoXuan, Anthony Goh Shee Hiang, and Datuk Tan Choon Hwa retire at the forthcoming Annual General Meeting, being eligible, offer themselves for re-election.

### 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 period in shares of the Company during the financial year ended 31 July 2018 are as follows:

	Number of ordinary Share			At 31.7.2018
	At 1.8.2017	Bought	Consolidated	
<b>The Company</b>				
<b>Direct interest</b>				
Chow Hung Keey	1,000,000	-	(750,000)	250,000
Datuk Tan Choon Hwa	24,500	30,782,657	(12,745,800)	18,061,357
<b>The Company</b>				
<b>Indirect interest</b>				
Datuk Tan Choon Hwa	-	250,000	-	250,000
<b>Total interest</b>				
Chow Hung Keey	1,000,000	-	(750,000)	250,000
Datuk Tan Choon Hwa	24,500	31,032,657	(12,745,800)	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 2018 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 period, 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 28 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. Refer attachment.

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.

**Significant Events during the Financial Year**

Significant events during the financial year are disclosed in Note 31 to the financial statements.

**Significant Events after the Financial Year**

Significant events after the financial year are disclosed in Note 32 to the financial statements.

**Auditors' Remuneration**

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

	<b>Group and Company RM</b>
Statutory audit	85,000
Other services	5,000
	<hr/> 90,000 <hr/>

**Auditor**

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

Signed in accordance with a resolution of the Board of Directors dated 23 November 2018

Azmi bin Osman

Datuk Tan Choon Hwa

Kuala Lumpur

Dated:

## 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 43 to 122 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 2018 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 23 November 2018.

Azmi bin Osman

Datuk Tan Choon Hwa

Kuala Lumpur  
Dated:

## STATUTORY DECLARATION

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

I, Tong Sian Shyen, (MIA member no: 36765) being the officer primarily responsible for the financial management of SMTRACK BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 122 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 Tong Sian Shyen at Kuala )  
Lumpur in the state of Federal )  
Territory on )

Tong Sian Shyen

Before me,

## 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<sup>st</sup> July, 2018 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 122.

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<sup>st</sup> July, 2018, and of their financial performance and their cash flows for the period 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.

### 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 period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
<p>approximately RM13.85 million. The trade and other receivables are significant to the Group since it represent 97% from total assets. During the year, the Group has assessed the impairment of trade and other receivables.</p> <p>The Group has made additional impairment for approximately RM3.3 million during the year.</p> <p>Management recognised that the allowance of impairment losses on these debtors based on specific known facts or their ability to pay or settle.</p> <p>The recoverability of these debts required management judgement in determining the adequacy of the impairment losses associated with these debts.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> <li>Assessed the management's control over recording and monitoring of credit risk for these advances;</li> <li>Reviewed aging of these debts and check for adequacy of allowance for doubtful debts;</li> <li>Assessed cash receipts subsequent to the end of the reporting period for its effects in reducing amounts outstanding as at the end of the reporting period; and</li> <li>Evaluated the reasonableness and adequacy of the allowance of impairment losses recognised for identified exposure and possible recoverability of these outstanding debts.</li> </ul>

### **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.



### **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 of 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.

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

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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in note 8 to the financial statements.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**JAMAL, AMIN & PARTNERS**

(No: AF 1067)

Chartered Accountants

Kuala Lumpur

Dated:

**AHMAD HILMY BIN JOHARI**

(No: 2977/03/20(J))

Chartered Accountant

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 JULY 2018**

		Group		Company	
	Note	2018 RM	2017 RM Restated	2018 RM	2017 RM Restated
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	196,504	615,739	196,504	615,699
Investment in subsidiaries company	6	-	-	51	-
Investment in associate company	7	-	-	-	-
Investment in jointly controlled entity	8	-	-	-	-
Intangible assets	9	-	-	-	-
<b>Total non-current assets</b>		<u>196,504</u>	<u>615,739</u>	<u>196,555</u>	<u>615,699</u>
<b>Current assets</b>					
Inventories	10	-	-	-	-
Trade receivables	11	1,937,992	1,532,998	1,937,992	1,532,998
Others receivables, deposits and prepayment	12	11,914,545	7,331,153	11,914,545	7,331,115
Amount owing by subsidiary company	14	-	-	4,000	-
Amount owing by associate company		380,000	-	380,000	-
Tax Recoverable		531	1,293	531	1,293
Cash and bank balances	15	21,153	8,961	21,153	7,786
<b>Total current assets</b>		<u>14,254,221</u>	<u>8,874,405</u>	<u>14,258,221</u>	<u>8,873,192</u>
<b>Total assets</b>		<u>14,450,725</u>	<u>9,490,144</u>	<u>14,454,776</u>	<u>9,488,891</u>

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

**STATEMENTS OF FINANCIAL POSITION (CONT'D.)**  
**AS AT 31 JULY 2018**

	Note	Group 2018 RM	2017 RM Restated	Company 2018 RM	2017 RM Restated
<b>Equity and liabilities</b>					
<b>Equity attributable to the owners of the company</b>					
Share capital	16	16,769,968	8,669,045	16,769,968	8,669,045
Accumulated Losses		(4,073,456)	(204,313)	(4,071,365)	(225,080)
Shareholders' funds		12,696,512	8,464,732	12,698,603	8,443,965
Non-controlling interest		(1,960)	-	-	-
<b>Total equity</b>		<u>12,694,552</u>	<u>8,464,732</u>	<u>12,698,603</u>	<u>8,443,965</u>
<b>Current liabilities</b>					
Trade payables	18	142,767	188,697	142,767	187,911
Other payables and Accruals	19	1,613,406	836,715	1,613,406	857,015
<b>Total liabilities</b>		<u>1,756,173</u>	<u>1,025,412</u>	<u>1,756,173</u>	<u>1,044,926</u>
<b>Total equity and liabilities</b>		<u>14,450,725</u>	<u>9,490,144</u>	<u>14,454,776</u>	<u>9,488,891</u>

(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 2018**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Revenue</b>	22	1,510,398	2,692,820	1,510,398	2,692,820
Cost of sales		(113,340)	(2,046,649)	(113,340)	(2,046,649)
<b>Gross profit</b>		1,397,058	646,171	1,397,058	646,171
Other Income		92,180	16,864	92,180	16,864
Administrative expenses		(5,360,390)	(8,639,126)	(5,335,523)	(8,660,665)
Selling and distribution expenses		-	(68,217)	-	(68,217)
<b>Operating Loss</b>		(3,871,152)	(8,044,308)	(3,846,285)	(8,065,847)
Finance cost		-	-	-	-
Share of result of jointly controlled entity		-	-	-	-
<b>Loss before taxation</b>	23	(3,871,152)	(8,044,308)	(3,846,285)	(8,065,487)
Income tax expenses	24	-	-	-	-
<b>Loss from continuing operation</b>		(3,871,152)	(8,044,308)	(3,846,285)	(8,065,487)
<b>Net loss for the financial period</b>					
<b>Other comprehensive income net of tax</b>					
<b>Items may not be reclassified subsequently to profit of loss:</b>					
Foreign currency translation on foreign entities disposed of		-	-	-	-
<b>Others comprehensive expenses for the financial period, net of tax</b>		-	-	-	-
<b>Total comprehensive expenses for the financial period</b>		<u>(3,871,152)</u>	<u>(8,044,308)</u>	<u>(3,846,285)</u>	<u>(8,065,847)</u>

(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 2018 (CONT'D.)**

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Balanced brought forward		(3,871,152)	(8,044,308)	(3,846,285)	(8,065,847)
Items may be reclassified subsequently to profit of loss:					
Foreign currency translation on foreign entities		-	-	-	-
Others comprehensive expenses for the financial year/period, net of tax		-	-	-	-
Total comprehensive expenses for the financial year/period		<u>(3,871,152)</u>	<u>(8,044,308)</u>	<u>(3,846,285)</u>	<u>(8,065,847)</u>
Net loss for the financial period attributable to:					
Owners of the company		(3,869,143)	(8,044,308)	(3,846,285)	(8,065,847)
Non-controlling interest		<u>(2,009)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(3,871,152)</u>	<u>(8,044,308)</u>	<u>(3,846,285)</u>	<u>(8,065,847)</u>
Total comprehensive expenses for the financial year/period attributable to:					
Owners of the company		(3,869,143)	(8,044,308)	(3,846,285)	(8,065,847)
Non-controlling interest		<u>(2,009)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(3,871,152)</u>	<u>(8,044,308)</u>	<u>(3,846,285)</u>	<u>(8,065,487)</u>
Loss per ordinary share (sen):	25				
Basis loss per ordinary share (sen):					
From continuing operations		(3.06)	(2.36)		
From discontinued operations		<u>-</u>	<u>-</u>		
		<u>(3.06)</u>	<u>(2.36)</u>		
Diluted loss per ordinary share (sen)					
From continuing operations		(3.06)	(2.36)		
From discontinued operations		<u>-</u>	<u>-</u>		
		<u>(3.06)</u>	<u>(2.36)</u>		

(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 2018**

	Attributable to Owners of the Company				
	Non-Distributable			Distributable	
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Employee share options reserve RM	Retained profits/ (accumulated losses) RM
<b>Group</b>					
<b>At 1 August 2016</b>	34,676,180	17,484,971	-	-	(34,450,481)
<b>Prior year adjustment</b>					
Depreciation expenses	-	-	-	-	(1,201,630)
Net Loss for the financial period	34,676,180	17,484,971	-	-	(35,652,111)
Others comprehensive expenses for the financial period, net of tax	-	-	-	-	(8,044,308)
<b>Total comprehensive expenses for the financial period</b>	-	-	-	-	(8,044,308)
<b>Transactions with owners:</b>					
Transfer pursuant to Section 618 (2) of the Company Act, 2016	17,484,971	(17,484,971)	-	-	-
Share capital reduction (4 to 1)	(43,492,106)	-	-	-	43,492,106
<b>Total transactions with owners</b>	(26,007,135)	(17,484,971)	-	-	43,492,106
<b>As at 31 July 2017</b>	8,669,045	-	-	-	(204,313)

(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 2018 (CONT'D.)**

	Attributable to Owners of the Company				Total RM
	Non-Distributable		Distributable		
Group	Share capital RM	Foreign currency translation reserve RM	Employee share options reserve RM	Retained Profits/ (accumulated Losses) RM	
At 31 July 2017	8,669,045	-	-	(204,313)	8,464,732
Net loss for financial year	-	-	-	(3,869,143)	(3,869,143)
Others comprehensive expenses for the financial year, net of tax	-	-	-	-	-
Total comprehensive expenses for the financial period	8,669,045	-	-	(4,073,456)	4,595,589
Transactions with owners:					
Acquisition of a subsidiary	-	-	-	-	-
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	-	-	(4,073,456)	12,696,512

(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 2018 (CONT'D.)**

	Attributable to Owners of the Company				
	Non-Distributable		Distributable		
	Share capital RM	Share premium RM	Share options reserve RM	Retained Profits/ (accumulated losses) RM	Total RM
<b>Company</b>					
<b>At 1 August 2016</b>	34,676,180	17,484,971	-	(34,449,709)	17,711,442
Prior year adjustment (Note 33)					
Depreciation expenses	-	-	-	(1,201,630)	(1,201,630)
	34,676,180	17,484,971	-	(35,651,339)	16,509,812
Net loss for financial year, net of tax	-	-	-	(8,065,847)	(8,065,847)
Total comprehensive expenses for the financial year	-	-	-	(8,065,847)	(8,065,847)
<b>Transactions with owners:</b>					
Transfers pursuant to section 618(2) of the companies Act, 2016	17,484,971	(17,484,971)	-	-	-
Share capital reduction (4 to 1)	(43,492,106)	-	-	43,492,106	-
<b>Total transactions with owners</b>	(26,007,135)	(17,484,971)	-	43,492,106	-
<b>At 31 July 2017</b>	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)
<b>Transactions with owners:</b>					
Issuance of share capital	8,100,923	-	-	-	8,100,923
<b>Total transactions with owners</b>	8,100,923	-	-	-	8,100,923
<b>At 31 July 2018</b>	16,769,968	-	-	(4,071,365)	12,698,603

(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 2018**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITY:</b>				
Loss for the year/period	(3,871,152)	(8,044,308)	(3,846,285)	(8,065,847)
Adjustments for:				
Allowance for Impairment losses on:				
Amount owing by subsidiary companies	-	-	-	29,239
Investment in jointly controlled entity	-	3,488,913	-	3,500,000
Intangible assets	-	178,204	-	178,204
Trade receivables	-	1,886,354	3,307,700	1,886,354
Others receivables	-	-	-	-
IT equipment	-	217,079	-	217,079
Amortisation of intangible asset	-	523,102	-	523,102
Depreciation of property, plant, and equipment	435,477	1,641,787	435,477	1,641,787
Gain on disposal of property, plant and equipment	-	(8,126)	-	(8,126)
Loss / (Gain) on disposal of subsidiary companies	20,767	-	(1,000)	-
Payable write off	-	-	(39,144)	-
Unrealised gain on foreign exchange	-	(8,738)	-	(8,738)
	<u>(3,414,908)</u>	<u>(125,733)</u>	<u>(143,252)</u>	<u>(106,946)</u>
Changes in working capital				
Inventories	-	4	-	4
Receivables	(5,368,424)	(3,955,667)	(8,296,124)	(3,992,590)
Amount owing by subsidiary	-	-	(4,000)	-
Amount owing by associate	-	(655,748)	(380,000)	(623,073)
Payables	711,247	-	750,391	-
	<u>(8,072,085)</u>	<u>(4,737,144)</u>	<u>(8,072,985)</u>	<u>(4,722,605)</u>
Income tax paid	-	(270)	-	(270)
Income tax refund	762	-	762	-
<b>Net Operating Cash flows</b>	<u>(8,071,323)</u>	<u>(4,737,414)</u>	<u>(8,072,223)</u>	<u>(4,722,875)</u>
<b>Balance Carried Forward</b>	<u>(8,071,323)</u>	<u>(4,737,414)</u>	<u>(8,072,223)</u>	<u>(4,722,875)</u>

(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 2018 (CONT'D.)**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Balance Brought forward</b>	(8,071,323)	(4,737,414)	(8,072,223)	(4,722,875)
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>				
Proceeds from disposal of subsidiary	-	-	1,000	-
Investment in subsidiary	-	-	(51)	-
Cash inflow from acquisition of subsidiary	49	-	-	-
Change in amount owing by subsidiary	-	-	-	(14,528)
Change in investment in jointly controlled entity	-	1,000,000	-	1,000,000
Transfers from plant, property and equipment	-	-	-	-
Purchases of plant, property and equipment	(16,282)	(133,188)	(16,282)	(133,188)
Proceeds from disposal of plant, property and equipment	-	9,950	-	9,950
<b>Net Investing Cash Flows</b>	<u>(16,233)</u>	<u>876,762</u>	<u>(15,333)</u>	<u>862,234</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY:</b>				
Net proceeds from issuances of ordinary shares	8,100,923	-	8,100,923	-
Net of cash, disposal of net liability of subsidiary	(1,175)	-	-	-
<b>Net Financing Cash Flows</b>	<u>8,099,748</u>	<u>-</u>	<u>8,100,923</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>Net increase/ ( decrease)</b>	12,192	(3,860,652)	13,367	(3,860,641)
Effect of foreign exchange translation	-	-	-	-
<b>At 1 August 2017/ 1 April 2016</b>	<u>8,961</u>	<u>3,869,613</u>	<u>7,786</u>	<u>3,868,427</u>
<b>At 31 July 2018/ 2017</b>	<u><u>21,153</u></u>	<u><u>8,961</u></u>	<u><u>21,153</u></u>	<u><u>7,786</u></u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	<u>21,153</u>	<u>8,961</u>	<u>21,153</u>	<u>7,786</u>

(The accompanying accounting policies and explanatory notes form an integral part of 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 23 November 2018.

## 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)**

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for

Unrealised Losses

### 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.)**

##### **Annual Improvements to MFRS Standards 2014-2016 Cycles:**

Amendments to MFRS 12: Clarification of the Scope of Standard

Amendments to MFRS 1: Deletion of Short-term exemptions for First time adopters

Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

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.

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:

<b>MFRSs and/or IC Interpretations (Including the Consequential Amendments)</b>	<b>Effective date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
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
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018

### 3. Basis of Preparation (cont'd.)

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:

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 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.

### 3. Basis of Preparation (cont'd.)

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: (continued)

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 except as follows: (continued)

#### **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.



## **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 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.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.1 Critical Accounting Estimates and Judgements (cont'd.)

###### 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 there is 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.

###### 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.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.1 Critical Accounting Estimates and Judgements (cont'd.)

###### 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.

##### 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 2017. 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 de facto 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.

#### **4. Significant Accounting Policies (cont'd.)**

##### **4.2 Basis of Consolidation (cont'd.)**

###### **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 acquiree 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.

###### **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.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.2 Basis of Consolidation (cont'd.)

###### d) 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.

###### e) 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.

##### 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. Significant Accounting Policies (cont'd.)**

##### **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.

#### **4. Significant Accounting Policies (cont'd.)**

##### **4.5 Financial Instrument**

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains or losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

##### **a) Financial Assets**

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

##### **i. Financial Assets at Fair Value through Profit or Loss**

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

#### **4. Significant Accounting Policies (cont'd.)**

##### **4.5 Financial Instrument (cont'd.)**

###### **a) Financial Assets (cont'd.)**

###### **i. Financial Assets at Fair Value through Profit or Loss (cont'd.)**

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or noncurrent assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or noncurrent assets based on the settlement date.

###### **ii. Held-to-maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

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

###### **iii. Loans and Receivables Financial Assets**

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.



#### 4. Significant Accounting Policies (cont'd.)

##### 4.5 Financial Instrument (cont'd.)

##### a) Financial Assets (cont'd.)

##### iii. Loans and Receivables Financial Assets (cont'd.)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

##### iv. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are re-measured to their fair values at the end of each 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. On de-recognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss. Interest income calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as noncurrent assets unless they are expected to be realised within 12 months after the reporting date.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.5 Financial Instrument (cont'd.)

###### b) Financial Liabilities

###### i. Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

###### ii. Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current assets, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

###### c) Equity Instruments

Ordinary shares classified as equity are measured at cost and are not re-measured subsequently. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

#### **4. Significant Accounting Policies (cont'd.)**

##### **4.5 Financial Instrument (cont'd.)**

###### **d) De-recognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On de-recognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### **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.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.6 Property, Plant and Equipment (cont'd.)

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.

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 de-recognised 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. Significant Accounting Policies (cont'd.)**

##### **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.

##### **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.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.9 Intangible Assets (cont'd.)

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.

#### 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.

#### 4. Significant Accounting Policies (cont'd.)

##### 4.10 Impairment (cont'd.)

###### a) Impairment of Financial Assets (cont'd.)

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.

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 re-valued amount. Any impairment loss of a re-valued asset is treated as a evaluation 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.



#### 4. Significant Accounting Policies (cont'd.)

##### 4.10 Impairment (cont'd.)

###### b) Impairment of Non-Financial Assets (cont'd.)

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.

##### 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).

#### 4. Significant Accounting Policies (cont'd.)

##### 4.12 Tax Expenses (cont'd.)

###### Income Taxes (cont'd.)

###### (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.

#### **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.

#### 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.

#### 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.

#### 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.

#### 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.

#### **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.



## 5. Property, plant and equipment

2018	Group	Computers RM	IT Equipment RM	IT equipment Rented out RM	Office			Work In Progress RM	Total RM
					Equipment and furniture and fittings RM	Renovation RM	Motor vehicle RM		
	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

## 5 Property, plant and equipment (cont'd.)

2017

Group	Computers	IT Equipment	IT Equipment under installation	IT equipment Rented out	Office Equipment and furniture and fittings	Renovation	Motor vehicle	Work In Progress	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 August 2016	154,793	13,965,228	1,897,311	-	248,863	59,066	99,217	1,434,600	17,859,078
Additions	11,000	3,448	-	-	6,435	-	112,305	-	133,188
Reclassification	-	-	(1,897,311)	1,897,311	-	-	-	-	-
Write-offs	(3,869)	-	-	-	(31,021)	(8,955)	-	-	(43,845)
Disposal	-	(15,400)	-	-	(3,420)	-	(99,217)	-	(118,037)
At 31 July 2017	161,924	13,953,276	-	1,897,311	220,857	50,111	112,305	1,434,600	17,830,384
<b>Accumulated depreciation</b>									
At 1 August 2016	151,371	7,168,324	-	-	128,783	14,969	99,217	-	7,562,664
Prior year adjustment- Depreciation (Note 33)	-	-	-	1,201,630	-	-	-	-	1,201,630
At 1 August 2016 after prior year adjustment	151,371	7,168,324	-	1,201,630	128,783	14,969	99,217	-	8,764,294
Charge for the year	5,861	1,266,330	-	316,219	25,009	5,907	22,461	-	1,641,787
Write-offs	(3,869)	-	-	-	(31,021)	(8,955)	-	-	(43,845)
Disposals	-	(15,400)	-	-	(1,596)	-	(99,217)	-	(116,213)
At 31 July 2017	153,363	8,419,254	-	1,517,849	121,175	11,921	22,461	-	10,246,023
<b>Accumulated impairment losses</b>									
At 1 August 2016	-	5,316,943	-	-	-	-	-	1,434,600	6,751,543
Additions	-	217,079	-	-	-	-	-	-	217,079
At 31 July 2017	-	5,534,022	-	-	-	-	-	1,434,600	6,968,622
<b>Net book value</b>									
At 31 July 2017	8,561	-	-	379,462	99,682	38,190	89,844	-	615,739



## 5. Property, plant and equipment (cont'd.)

2017

Company	Computers RM	IT equipment RM	IT equipment under installation RM	IT equipment Rented out RM	Office equipment and furniture and fittings RM	Renovation RM	Motor vehicle RM	Work In Progress RM	Total RM
<b>Cost</b>									
At 1 August 2016	154,793	13,965,228	1,897,311	-	248,823	59,066	99,217	1,434,600	17,859,038
Additions	11,000	3,448	-	-	6,435	-	112,305	-	133,188
Reclassification	-	-	(1,897,311)	1,897,311	-	-	-	-	-
Write-offs	(3,869)	-	-	-	(31,021)	(8,955)	-	-	(43,845)
Disposal	-	(15,400)	-	-	(3,420)	-	(99,217)	-	(118,037)
At 31 July 2017	161,924	13,953,276	-	1,897,311	220,817	50,111	112,305	1,434,600	17,830,344
<b>Accumulated depreciation</b>									
At 1 August 2016	151,371	7,168,324	-	-	128,783	14,969	99,217	-	7,562,664
Prior year adjustment- Depreciation	-	-	-	1,201,630	-	-	-	-	1,201,630
At 1 August 2016 after prior year adjustment	151,371	7,168,324	-	1,201,630	128,783	14,969	99,217	-	8,764,294
Charge for the year	5,861	1,266,330	-	316,219	25,009	5,907	22,461	-	1,641,787
Write-offs	(3,869)	-	-	-	(31,021)	(8,955)	-	-	(43,845)
Disposals	-	(15,400)	-	-	(1,596)	-	(99,217)	-	(116,213)
At 31 July 2017	153,363	8,419,254	-	1,517,849	121,175	11,921	22,461	-	10,246,023
<b>Accumulated impairment losses</b>									
At 1 August 2016	-	5,316,943	-	-	-	-	-	1,434,600	6,751,543
Additions	-	217,079	-	-	-	-	-	-	217,079
At 31 July 2017	-	5,534,022	-	-	-	-	-	1,434,600	6,968,622
<b>Net book value</b>									
At 31 July 2017	8,561	-	-	379,462	99,642	38,190	89,844	-	615,699

## 5. Property, plant and equipment (cont'd.)

In the previous financial year, IT equipment under installation with a carrying amount of RM1,897,311 (2017: RM1,897,311) was reclassified as IT equipment rented out. According to the accounting policy for the depreciation of IT equipment, the Group and the Company write down the cost of their assets on a straight line basis over their expected useful lives, as and when their assets are available for use, that is when they are in the location and condition necessary for them to be capable of operating in the manner intended by the Management.

As at 31 July 2018, annual depreciation of RM397,462 has been charged out against the statement of profit or loss and other comprehensive income during the current financial year.

## 6. Investment in subsidiaries company

	Company	
	2018 RM	2017 RM
<b>Unquoted shares at cost</b>		
<b>At 1 August 2017/31 July 2017</b>		
In Malaysia	50,098	50,098
Outside Malaysia	-	-
	<u>50,098</u>	<u>50,098</u>
<b>Addition during the financial period:</b>		
In Malaysia	51	-
	<u>50,149</u>	<u>50,098</u>
<b>Disposal during the financial period:</b>		
In Malaysia	(35,069)	-
Reclassified to Investment in Associated Company	(15,029)	-
	<u>51</u>	<u>50,098</u>
Less: Allowance for impairment losses	-	(50,098)
<b>As at 31 July</b>	<u>51</u>	<u>-</u>

**6. Investment in subsidiaries 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		Principal Activity
		2018 %	2017 %	
Smart Marine Tech Sdn Bhd #	Malaysia	51	-	Dormant

# Not audited by Jamal, Amin & Partners

During the year, the Company had disposed 70% of its equity interest in Smartag Technologies Sdn Bhd (STSB). The 30% share held by the Company entitles the STSB to be an associate company to the Company. The details of the disposal are disclosed in Note 27 to the financial statements.

**7. Investment in associate company**

	Company	
	2018 RM	2017 RM
<b>Unquoted shares at cost</b>		
<b>At 1 August 2017/ 2016</b>		
In Malaysia	-	-
	-	-
<b>Addition during the financial period:</b>		
Reclassified from investment in subsidiary	15,029	-
	15,029	-
<b>Less: Allowance for impairment losses</b>		
Reclassified from investment in subsidiary	(15,029)	-
<b>As at 31 July</b>	-	-

Details of the associate company are as follows:

Name of Subsidiary	Principal place business/Country of incorporation	Percentage of issued share capital held by Parent		Principal Activity
		2018 %	2017 %	
Smartag Technologies Sdn Bhd #	Malaysia	30	100	Dormant

# Not audited by Jamal, Amin & Partners

**8. Investment In Jointly Controlled Entity**

	<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<b>Group and Company</b>		
Unquoted shares-at cost	5,015,000	5,015,000
Deposits forfeited	(1,500,000)	(1,500,000)
	<u>3,515,000</u>	<u>3,515,000</u>
<b>Allowance for impairment losses</b>		
At 1 August 2017/2016	(3,515,000)	(15,000)
Additions	-	(3,500,000)
At 31 July 2018/2017	<u>(3,515,000)</u>	<u>(3,515,000)</u>
<b>At July 2018/2017</b>	<u>-</u>	<u>-</u>

Details of the subsidiary company are as follows:

<b>Name of jointly controlled entity</b>	<b>Principal place business/Country of incorporation</b>	<b>Percentage of issued share capital held by Parent</b>		<b>Principal Activity</b>
		<b>2018 %</b>	<b>2017 %</b>	
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

## 9. Intangible Assets

	Note	2018 RM	2107 RM
Product development costs	(a)	-	-
Computer software	(b)	-	-
<b>As at 31 July 2018/2017</b>		-	-

a. Product development costs		2018 RM	2107 RM
<b>Cost</b>			
At 1 Augusts 2017/2016		7,673,030	7,673,030
Additions		-	-
At 31 July 2018/2017		7,673,030	7,673,030
<b>Accumulated amortisation</b>			
At 1 Augusts 2017/2016		3,249,106	2,726,004
Additions		-	523,102
At 31 July 2018/2017		3,249,106	3,249,106
<b>Allowance for impairment losses</b>			
At 1 Augusts 2017/2016		4,423,924	4,245,720
Additions		-	178,204
At 31 July 2018/2017		4,423,924	4,423,924
<b>As at 31 July 2018/2017</b>		-	-

- 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. In the previous financial period, an impairment loss of RM4,245,720, representing the write down of the product development costs to their recoverable amount was recognised in “Administrative Expenses” line item of the statements of profit and loss and other comprehensive income for the financial year ended 30 September 2013. The recoverable amount of the intangible assets was based on its value in use and the pre-tax discount rate used was 13.9%.
- iii. The total carrying amount of intangible assets of the Group and the Company as at 31 July 2018 is nil (31.7.2017: 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.



**9. Intangible Assets (cont'd.)****a. Product development costs (cont'd)**

- iv. 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**

	<b>31.07.2018</b>	<b>31.07.2107</b>
	<b>RM</b>	<b>RM</b>
At 1 Augusts 2017/2016	-	-
Additions	-	2,200,000
Termination of the licensing agreement during the current financial year (Refer also to Notes 11 to the financial statements)	-	(2,200,000)
At 31 July 2018/2017	-	-

- 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.

**10. Inventories**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Trading goods held for sale, at weighted average cost	-	-
<b>Recognised in the statement of profit and loss</b>		
Inventories recognised as cost of sales	-	4

**11. Trade Receivables**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	5,618,954	4,100,329
Less: Allowance for impairment losses	(3,680,962)	(2,567,331)
	<u>1,937,992</u>	<u>1,532,998</u>
<b>Allowance for impairment losses:-</b>		
At 1 August 2017/2016	2,567,331	680,977
Addition during the financial year/period	<u>1,113,361</u>	<u>1,886,354</u>
<b>At 31 July 2018/2017</b>	<u><u>3,680,962</u></u>	<u><u>2,567,331</u></u>

The normal trade credit terms granted to the Group and the Company range from 30 to 120 days (31.7.2017: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

**12. Other Receivables, Deposits & Prepayment**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Group</b>		
<b>Non-Current</b>		
Advances made to the joint-operation entity (Note 11)	4,943,900	4,944,000
Receivables from the computer software vendor	-	2,200,000
	<u>4,943,900</u>	<u>7,144,000</u>
<b>Current</b>		
Other receivables	818	-
Deposits	4,669,827	167,025
Prepayments	2,300,000	20,128
Receivables from the computer software vendor	<u>2,200,000</u>	<u>-</u>
	9,170,645	187,153
Less : Impairment	<u>(2,200,000)</u>	<u>-</u>
	6,970,645	187,153
<b>At 31 July 2018/2017</b>	<u><u>11,914,545</u></u>	<u><u>7,331,153</u></u>

**12. Other Receivables, Deposits & Prepayment (Cont'd)**

	<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<b>Company</b>		
<b>Non-Current</b>		
Advances made to the joint-operation entity (Note 11)	4,943,900	4,944,000
Receivables from the computer software vendor	-	2,200,000
	<u>4,943,900</u>	<u>7,144,000</u>
<b>Current</b>		
Other receivables	818	-
Deposits	4,669,827	166,987
Prepayments	2,300,000	20,128
Receivables from the computer software vendor	<u>2,200,000</u>	<u>-</u>
	9,170,645	187,115
Less : Impairment	<u>(2,200,000)</u>	<u>-</u>
	<u>6,970,645</u>	<u>187,115</u>
<b>At 31 July 2018/2017</b>	<u><b>11,914,545</b></u>	<u><b>7,331,115</b></u>

### 13. 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. (Refer also to Note 32(i)).

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.
- iii. 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 advances made by the Company during the current financial year/ period is as follows:

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>At 1 August 2017/2016</b>	-	3,850,000
Additional/repayments	-	1,094,000
Transferred to other receivables :		
- Amount to be settled by the joint operating entity	-	(4,944,000)
<b>At 31 July 2018/2017</b>	<b>-</b>	<b>-</b>

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 as disclosed in Note 32 to the financial statements.

**14. Amount Owing By Subsidiary Companies**

	<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Amount owing by subsidiary companies	384,000	95,656
Less: Subsidiary companies disposed of	(380,000)	-
	<u>4,000</u>	<u>95,656</u>
Allowance for impairment losses	-	(95,656)
<b>At 31 July 2018/2017</b>	<u><b>4,000</b></u>	<u><b>-</b></u>
<b>Movement in allowance for impairment losses:-</b>		
At 1 August 2017/2016	95,656	66,417
Addition during the financial year	-	29,239
	<u>95,656</u>	<u>95,656</u>
Less: Subsidiary companies disposed of	(95,656)	-
<b>At 31 July 2018/2017</b>	<u><b>-</b></u>	<u><b>95,656</b></u>

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.

- 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.
- The amount owing by a subsidiary company in the previous financial period was impaired as the subsidiary company had ceased operations after suffering significant financial losses.

**15 Cash and Cash Equivalents**

	<b>2018 RM</b>	<b>2017 RM</b>
<b>Group</b>		
Cash and bank balances	21,153	8,961
Cash and cash equivalents	<u>21,153</u>	<u>8,961</u>
<b>Company</b>		
Cash and bank balances	21,153	7,786
Cash and cash equivalents	<u>21,153</u>	<u>7,786</u>

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.

**16 Share Capital**

	<b>Group and Company</b>			
	<b>31.7.2018</b>		<b>31.7.2017</b>	
	<b>Number of shares (Unit)</b>	<b>RM</b>	<b>Number of shares (Unit)</b>	<b>RM</b>
<b>Issued and fully paid:</b>				
<b>At 1 August 2017/2016</b>	86,690,450	8,669,045	346,761,800	34,676,180
Transfer from Share Premium	-	-	-	17,484,971
Share Capital reduction (4 to 1)	-	-	(260,071,350)	(43,492,106)
	86,690,450	8,669,045	86,690,450	8,669,045
New issued and paid up share capital	56,789,753	8,100,923	-	-
<b>At 31 July 2018/2017</b>	<b>143,480,203</b>	<b>16,769,968</b>	<b>86,690,450</b>	<b>8,669,045</b>

**17. Other Reserves****17.1 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.

**17.2 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.

## 17. Other Reserves

### 17.2 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 5day 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.

**18. Trade Payables**

	<b>2018 RM</b>	<b>2017 RM</b>
<b>Group</b>		
Trade payables	<u>142,767</u>	<u>188,697</u>
<b>Company</b>		
Trade payables	<u>142,767</u>	<u>187,911</u>

The normal trade credit terms granted to the Group and the Company range from 30 days to 120 days (31.7.2017: 30 to 120 days).

**19. Other Payables and Accruals**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Other payables	1,388,389	593,891
Accruals	<u>225,017</u>	<u>242,824</u>
At 31 July 2018/2017	<u>1,613,406</u>	<u>836,715</u>

  

	<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Other payables	1,388,389	614,191
Accruals	<u>225,017</u>	<u>242,824</u>
At 31 July 2018/2017	<u>1,613,406</u>	<u>857,015</u>

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

**20. 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:

	<b>2018</b>	<b>2017 restated</b>
Net assets value (RM)	12,694,552	8,464,732
Number of ordinary shares in issue (unit)	143,480,203	86,690,450
Net assets value per share (sen)	<u>8.84</u>	<u>11.15</u>



**21. 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:

	<b>Group and Company</b>	
	<b>2018</b>	<b>2107</b>
<b>At 1 August 2017/ 2016</b>		
Granted	33,809,200	-
Exercised	(30,782,657)	-
Lapsed	-	-
<b>At 31 July 2018/2017</b>	<b>3,026,543</b>	<b>-</b>

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.

**21. 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:

	<b>Date of Share Options Granted 29.8.2014</b>	
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 (%)	72.20	
Expected life (years)	5.00	
Risk free rate (%)	8.6	
	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
<b>Value of employees' services received for issue of share options</b>		
Total expense recognised as share-based compensation pursuant to ESOS	-	-
At 31 July 2018/2017	-	-

**22. Revenue**

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
Sales of goods, technical support and maintenance income	<u>1,510,398</u>	<u>2,692,820</u>

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

**23. Loss before Taxation**

Loss before taxation has been arrived at:

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>After charging:-</b>				
Allowance for impairment losses on:				
- Amount owing by subsidiary companies	-	-	-	29,239
- Intangible assets	-	178,204	-	178,204
- Investment in a jointly controlled entity	-	3,488,913	-	3,500,000
- Trade receivables	1,113,630	1,886,354	1,113,630	1,886,354
- Other receivables	2,200,000	-	2,200,000	-
- Property, plant and equipment	-	217,082	-	217,082
Amortisation of intangible assets	-	523,102	-	523,102
Audit fee				
- Current year	85,000	120,000	85,000	115,000
- Prior year	-	(37,000)	-	(35,000)
Depreciation of property, plant and equipment	435,477	1,641,787	435,477	1,641,787
Deposits written off	-	1,059,943	-	1,059,943
Directors' remuneration				
- fees	239,000	172,000	239,000	172,000
- Salaries and allowances	43,930	141,452	43,930	141,452
- Defined contribution plan	5,305	17,340	5,305	17,340
- SOCSO	576	1,337	576	1,337
Penalty	16,585	2,500	16,585	2,500
Rental	133,866	34,000	133,866	34,000
Staff costs				
- Defined contribution plan	39,744	43,916	39,744	43,916
- Salaries and wages	327,456	347,947	327,456	347,947
- SOCSO	5,862	4,428	5,862	4,428
<b>And crediting:-</b>				
Write back of trade payable	39,144	-	39,144	-
Gain on disposal of property, plant and equipment	1,000	8,126	1,000	8,126
Gain on disposal of subsidiary companies	-	-	-	-
Unrealised gain on foreign exchange	-	8,738	-	8,738

**24. Income Tax Expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Current tax:</b>				
for the current financial year/period	-	-	-	-
Over provision in the previous financial year/period	-	-	-	-
Deferred tax				
- for the current financial year/period	-	-	-	-
<b>At 31 July 2018/2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

No income tax expenses have been provided in the financial statements for the current year/period 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:

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Loss before taxation</b>	<b>(3,871,152)</b>	<b>(8,044,308)</b>	<b>(3,846,285)</b>	<b>(8,065,847)</b>
Tax at the applicable tax rate of 24% (2017: 24%)	(929,076)	(1,930,634)	(923,108)	(1,935,803)
<b>Tax effects arising from:</b>				
Non-deductible expenses	941,487	2,053,912	935,993	2,059,081
Non-taxable income		(2,097)	-	(2,097)
Utilisation of tax losses	(12,411)	-	(12,885)	-
Origination of deferred tax assets not recognised in the financial statements	-	(121,181)	-	(121,181)
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.

**24. 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% (31.7.2017 24%) of the estimated assessable profit of such business for the financial year/period.

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

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Temporary differences	(7,793,099)	(584,118)	(7,793,099)	(555,580)
Unutilised tax losses	<u>(10,095,170)</u>	<u>(5,428,316)</u>	<u>(10,095,170)</u>	<u>(5,367,020)</u>
	<u>(17,886,251)</u>	<u>(6,012,434)</u>	<u>(17,886,251)</u>	<u>(5,922,600)</u>
Potential deferred tax assets at 24% not yet recognised	<u>(2,422,840)</u>	<u>(1,442,984)</u>	<u>(2,422,840)</u>	<u>(1,421,424)</u>

**Group and Company**

Included in the potential deferred assets is an amount of RM7,989,683 (2017:RM7,993,355) relate to unabsorbed capital allowances of a pioneer status business, which has ceased its operations in the previous financial period.

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

## 25. 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/period attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the year/period calculated as follows:

	Group	
	2018 RM	2017 RM
Net loss for the financial year/ period attributable to - Owners of the Company	(3,869,143)	(8,044,308)
<b>Weighted average number of ordinary shares (unit)</b>		
Issued and paid-up ordinary shares as at 1 August 2017/2016	86,690,450	346,761,800
Effect of share capital reduction during the financial year	-	(5,700,194)
Effect of issuance of new ordinary shares during the financial period	39,684,669	
<b>As at 31 July 2017/2016</b>	<u>126,375,119</u>	<u>341,061,606</u>
Basic loss per share for the financial year/period attributable to equity holders of the Company (sen)	<u>(3.06)</u>	<u>(2.36)</u>

### 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.

## 26. 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.

**26. Operating Segments (cont'd.)****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.

**27. Disposal Of Subsidiary Companies**

On 17 November 2017, the Company disposed 70% of its equity in Smartag Technologies Sdn Bhd for a share transfer price of RM1,000. The disposal of the subsidiary does not have significant effect to the result of financial statement of the Group and of the Company.

**i. Loss attributable to the discontinued operations:**

<b>Results of discontinued operations</b>	<b>Group 2018 RM</b>
Revenue	-
Expenses	(7,778)
Results from operating activities	(7,778)
Tax expense	-
Results from operating activities, net of tax	(7,778)
Loss on sale of discontinued operations	(20,767)
Tax on gain on sale of discontinued operations	-
Gain for the financial period	(20,767)

**27. Disposal of Subsidiary Companies (cont'd.)**

## i. Loss attributable to the discontinued operations (cont'd.):

<b>Effect on cash flows</b>	<b>Group 2018 RM</b>
Cash flows used in disposal of subsidiary companies	
Net cash used in operating activities	(14,211)
Net cash from investing activities	-
Net cash from financing activities	14,200
	<u>(11)</u>

## ii. Financial effects of the disposal on the Group

	<b>Group 2018 RM</b>
Property, plant and equipment	-
Cash and cash equivalents	1,175
Trade and other payables	(102,344)
Net identifiable assets and liabilities	<u>(101,169)</u>
Non-controlling interests	-
Loss on disposal of subsidiary companies	(20,767)
	<u>(121,936)</u>
Consideration received in cash	(1,000)
	<u>(122,936)</u>
Cash and cash equivalents of subsidiary companies disposed of	(1,175)
Net cash outflow	<u>(124,111)</u>



## 28. Key Management Personnel Compensation

The remuneration and benefits of directors and other members of key management during the financial period 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/period is as follows:-

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
Directors		
Defined contribution plan	5,305	17,340
fees	239,000	172,000
Salaries and allowances	43,871	141,452
Share options granted under ESOS	-	-
	<u>288,176</u>	<u>330,792</u>
Other key management personnel		
Defined contribution plan	-	-
salaries, bonuses and allowances	-	-
Share options granted under ESOS	-	-
	<u>-</u>	<u>-</u>

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

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
Executive Directors		
Below RM50,000	1	2
RM50,001-RM100,000	2	-
RM100,001-RM150,000	-	2
RM150,001-RM200,000	-	1
RM200,001-RM250,000	-	-
RM350,001-RM400,000	-	-
RM400,001-RM450,000	-	-
	<u>3</u>	<u>5</u>
Non-Executive Directors:		
Below RM50,000	4	1
	<u>4</u>	<u>1</u>
Total	<u>7</u>	<u>6</u>

## 29. Contingencies

### Legal proceedings

#### *i. Industrial Court Case no 22/4-387/16 Lor Ching Peng (“LCP”) Vs SMTrack Berhad (“the Company”)*

On 17 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 losses 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 1 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 15 of 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 as final settlement. With this settlement the claimant agrees not to makes any claims against the company for his service.

## 29. Contingencies (cont'd)

### Legal proceedings (cont'd)

#### ii. ***Kuala Lumpur Session Court: Summon No: WA-A52C-66-08/2016 SMTrack Berhad ("the Company") vs Observision Sdn Bhd ("OBS")***

On 29 August 2016, the Company claimed against OBS at the Kuala Lumpur Session Court, an outstanding amount of RM152, 731 for the supply and delivery of goods.

On 7 October 2016, OBS filed a counter claim for the breach of the Outsource Service Agreement dated 3 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 counterclaimed that the Company has breached the contract and claimed for Special damages and liquidated damages of RM493,540 and RM9,950,000 respectively.

On 2 November 2016, OBS filed an application to transfer the case to Kuala Lumpur High Court, with the submission to be filed on 23 December 2016 and the hearing being fixed on 5th January 2017.

On 14 November 2016, the Company applied for a Summary Judgement for the default in payment of the outstanding sum and the Company has also filed an application to strike out the above counterclaim. - WA-24NCVC-1795-11/2016

Both parties have attended mediation on 7 February 2017 at KL Mediation Centre but failed to reach to an agreement.

This case was struck off by the court while we were trying to reach a settlement between parties.

The court has refused to allow another case management date and struck off the matter.

The Company solicitor opined that the counter-claim is remote as the said letter of the award is not signed and OBS has to prove the existence of a valid contract between parties, and so far no provision of losses or damages have been made in financial statements.

Even though the court has dismissed the application with order for cost in the cause, we plan to appeal against the decision. Suit No: BK-A52-04-04/2018

## 29. 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 claim 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 29 September 2017. On 2 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 6 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 OBS derived from our suit against them that we claim 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 26 November 2018.

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

## 29. 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 23rd 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 we have succeeded in getting a judgment 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 OBS derived from our suit against them that we 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-04-02/2017

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

Our solicitor will file the Seizure & Sale Proceeding and Garnishee Proceedings against OBS bank account. Also, our solicitor will file the Winding Up Procedure against OBS if the amount recovered from the Garnishee and Seizure & Sale Proceeding is not enough.

## 29. Contingencies (cont'd)

### Legal proceedings (cont'd)

**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.

Our 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.

Our 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.

**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.

In accordance to the case above, even though we have agreed to pay claimant as such amount, the Company would have a chance to claim RM102, 000 from the defendant.

The Court has fixed the trial date on 19th November 2018.

### 30. 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.

#### 30.1 Financial Risk Management Policies

The Group 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.

### 30. Financial Instruments (cont'd.)

#### 30.1 Financial Risk Management Policies (cont'd.)

##### c) Credit Risk (cont'd)

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.

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 3 (2017:4) customers which constituted approximately 88% (31.7.2017 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.



**30. Financial Instruments (cont'd.)****30.1 Financial Risk Management Policies (cont'd.)**

## iii. Ageing Analysis

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

	<b>Gross Amount RM</b>	<b>Individual Impairment RM</b>	<b>Collective Impairment RM</b>	<b>Carrying Value RM</b>
<b>Company</b>				
<b>At 31 July 2018</b>				
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
	<u>5,618,964</u>	<u>(3,680,962)</u>	<u>-</u>	<u>1,937,992</u>
<b>At 31 July 2017</b>				
Not past due	613,636	-	-	613,636
Past due:				
Less than 3 months	300,000	-	-	300,000
3 to 6 months	550,000	(550,000)	-	-
Over 6 months	-	-	-	-
Over 1 year	2,636,693	(2,017,331)	-	619,362
	<u>4,100,329</u>	<u>(2,567,331)</u>	<u>-</u>	<u>1,532,998</u>

### 30. Financial Instruments (cont'd.)

#### 30.1 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.

**30. Financial Instruments (cont'd.)****30.1 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
<b>Group</b>			
<b>At 31 July 2018</b>			
Trade payables	142,767	142,767	142,767
Other payables and accruals	1,613,406	1,613,406	1,613,406
	<u>1,756,173</u>	<u>1,774,102</u>	<u>1,756,173</u>
<b>At 31 July 2017</b>			
Trade payables	188,697	188,697	188,697
Other payables and accruals	836,715	836,715	836,715
	<u>1,025,412</u>	<u>1,025,412</u>	<u>1,025,412</u>
<b>Company</b>			
<b>At 31 July 2018</b>			
Trade payables	142,767	142,767	142,767
Other payables and accruals	1,613,406	1,613,406	1,613,406
	<u>1,756,173</u>	<u>1,774,102</u>	<u>1,756,173</u>
<b>At 31 July 2017</b>			
Trade payables	187,911	187,911	187,911
Other payables and accruals	857,015	857,015	857,015
	<u>1,044,926</u>	<u>1,044,926</u>	<u>1,044,926</u>

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.

### **30. Financial Instruments (cont'd.)**

#### **30.2 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 2017 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.

#### **30.3 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.

**30. Financial Instruments (cont'd.)****30.3 Classification of Financial Instruments (cont'd.)**

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis.

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total</b>
<b>Group</b>			
<b>At 31 July 2018</b>			
<b>Financial assets</b>			
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
	<u>13,873,690</u>	<u>-</u>	<u>13,873,690</u>
<b>Financial liabilities</b>			
Trade payables	-	142,767	142,767
Other payables and accruals	-	1,613,406	1,613,406
	<u>-</u>	<u>1,756,173</u>	<u>1,756,173</u>
<b>At 31 July 2017</b>			
<b>Financial assets</b>			
Trade receivables	1,532,998	-	1,532,998
Other receivables and deposits	7,331,153	-	7,331,153
Cash and bank balances	8,961	-	8,961
	<u>8,873,112</u>	<u>-</u>	<u>8,873,112</u>
	<u>8,873,112</u>	<u>-</u>	<u>8,873,112</u>
<b>Financial liabilities</b>			
Trade payables	-	188,697	188,697
Other payables and accruals	-	836,715	836,715
	<u>-</u>	<u>1,025,412</u>	<u>1,025,412</u>

**30. Financial Instruments (cont'd.)****30.3 Classification of Financial Instruments (cont'd.)**

	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total</b>
<b>Company</b>			
<b>At 31 July 2018</b>			
<b>Financial assets</b>			
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
	<u>14,257,690</u>	<u>-</u>	<u>14,257,690</u>
<b>Financial liabilities</b>			
Trade payables	-	142,767	142,767
Other payables and accruals	-	1,613,406	1,613,406
	<u>-</u>	<u>1,756,173</u>	<u>1,756,173</u>
<b>At 31 July 2017</b>			
<b>Financial assets</b>			
Trade receivables	1,532,998	-	1,532,998
Other receivables and deposits	7,331,115	-	7,331,115
Cash and bank balances	7,786	-	7,786
	<u>8,871,899</u>	<u>-</u>	<u>8,871,899</u>
	<u>8,871,899</u>	<u>-</u>	<u>8,871,899</u>
<b>Financial liabilities</b>			
Trade payables	-	187,911	187,911
Other payables and accruals	-	857,015	857,015
	<u>-</u>	<u>1,044,926</u>	<u>1,044,926</u>

**30. Financial Instruments (cont'd.)****30.4 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:

	<b>Note</b>
<b>Financial assets (current)</b>	
Trade receivables	11
Other receivables	12
Amount owing by subsidiary companies	14
Cash and cash equivalents	15
<b>Financial liability (current)</b>	
Trade payables	18
Other payables	19

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.

### **31. Corporate Exercise**

#### **1. Consolidated Share**

On 8 August 2017, the Company's existing issued 346,761,800 ordinary share is consolidated into 86,690,446 new ordinary shares on the basis of every 4 shares be consolidated into 1 new share in the ACE Market of Bursa Securities.

#### **2. Private Placement**

The Company has issued up 26,007,100 shares representing approximately 30% of its total number of issued shares of 86,690,450 new shares after the completion of the Proposed Share Capital Reduction and Proposed Share Consolidation.

#### **3. New Share Issue Scheme ("SIS")**

The Existing SIS, which became effective on 29 August 2014 and would expire on 28 August 2019. The Company has terminated the Existing SIS on 26 October 2017 and to be replaced with the new SIS. As at 26 October 2017 a total of 74,394,600 option granted under the Existing SIS have been exercised.



### 32. Significant Events During The Financial Year

- i. On 10 March 2016, SMTrack Berhad (“the Company”) entered into a joint venture agreement (JVA) with the Cherish Words Sdn Bhd (“CWSB”) to form an unincorporated joint operation to participate in the sub-contracting works for design and build for the proposed development of 300 units of houses – “Perumahan Genrasi Baharu Felda (PGET)”, using Industrialized Building System (IBS) – Phase 3 (P3) – Package (G3-1) at Wilayah Raja Alias at Felda Palong 16 for Federal Land Development Authority (“FELDA”) (“Development Project”).

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

Subsequently on 16 March 2016, the parties entered into a supplement joint venture agreement to amend the terms of the JVA and the Company agreed to participate in the sub-contracting work by way of working capital contribution of RM3,700,000 in cash for the purpose of carrying out the balance of works for Development Project awarded by the GMSB.

The JVA were terminated on 28 July 2017 by mutual consent and the amount owing by CWSB, will be settled via contra of the development properties held by CWSB.

On 31 July 2017, the Company entered into 4 sets of Sale and Purchase Agreement (“SPA”) with then joint operation entity and third party in respect of the acquisition of 4 properties for the total consideration of RM4,944,000. The purpose of the acquisition is to enable the settlement of debt owing by the then joint operation entity to the Group and the Company against the purchase prices of these 4 properties in accordance with the terms and conditions of the SPAs.

- ii. 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.

**32. Significant Events during The Financial Year (cont'd.)**

- iii. On 29 January 2018, we 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 VF Tech.

- iv. 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 RM 3,500,000 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.

**33. Significant Event After The Financial Year**

- i. On 13 September 2018, we 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.

**34. Prior Year Adjustment**

IT Equipment rented out was acquired in year 2012 for project with Royal Malaysian Customs Department. The depreciation expenses for the IT equipment was not charged from year 2012 until 2016. The adjustment made was to recognise the understatement of the depreciation expenses.

**GROUP**

<b>Statements Of Financial Position</b>	<b>Previously reported RM</b>	<b>Adjustment RM</b>	<b>As restated RM</b>
<u>Property, plant and equipment</u>			
IT equipment Rented out			
As at 31 <sup>st</sup> July 2017			
- IT equipment Rented out	1,897,311	-	1,897,311
- Accumulated depreciation	(316,219)	(1,201,630)	(1,517,849)
Net book value	1,581,092	(1,201,630)	379,462
<u>Retained profit/(Accumulated loss)</u>			
As at 31 <sup>st</sup> July 2017	997,317	-	997,317
Accumulated depreciation	-	(1,201,630)	(1,201,630)
Retained profit/(Accumulated loss)	997,317	(1,201,630)	(204,313)

**COMPANY**

<b>Statements Of Financial Position</b>	<b>Previously reported RM</b>	<b>Adjustment RM</b>	<b>As restated RM</b>
<u>Property, plant and equipment</u>			
IT equipment Rented out			
As at 31 <sup>st</sup> July 2017			
- IT equipment Rented out	1,897,311	-	1,897,311
- Accumulated depreciation	(316,219)	(1,201,630)	(1,517,849)
Net book value	1,581,092	(1,201,630)	379,462
<u>Retained profit/(Accumulated loss)</u>			
As at 31 <sup>st</sup> July 2017	976,550	-	976,550
Accumulated depreciation	-	(1,201,630)	(1,201,630)
Retained profit/(Accumulated loss)	976,550	(1,201,630)	(225,080)

**35. Authorisation For Issue Of Financial Statements**

These financial statements were authorised for issue on 23 November 2018 by the Board of Directors

## ANALYSIS OF SHAREHOLDINGS

As at 7 November 2018

TOTAL NUMBER OF ISSUED SHARES	:	146,607,956
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 Share	%
1 - 99	141	5.52	5,640	0.01
100 - 1,000	492	19.26	173,128	0.12
1,001 - 10,000	957	37.46	4,257,403	2.90
10,001 - 100,000	812	31.78	28,027,150	19.11
100,001 - 7,330,396*	151	5.91	87,557,778	59.72
7,330,397 AND ABOVE**	2	0.07	26,586,857	18.14
<b>TOTAL</b>	<b>2,555</b>	<b>100.00</b>	<b>146,607,956</b>	<b>100.00</b>

Remark:

\* Less than 5% of issued shares

\*\* 5% and above issued shares

### SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
Datuk Amar Abdul Hamed Bin Sepawi	8,550,000	5.83	-	-
Datuk Tan Choon Hwa (JP, JMK)	18,311,357	12.49	-	-
<b>TOTAL</b>	<b>18,319,907</b>	<b>18.32</b>	<b>-</b>	<b>-</b>

### 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	-	-	-	-
Chow Hung Keey	250,000	0.17	-	-
Datuk Tan Choon Hwa (JP, JMK)	18,311,357	12.49	-	-
Anthony Goh Shee Hiang	-	-	-	-
Ng Swee Tuo	-	-	-	-
(Resigned on 15 november 2018)				

# ANALYSIS OF SHAREHOLDINGS (cont'd)

As at 7 November 2018

## LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Shares
1.	DATUK TAN CHOON HWA (JP, JMK)	18,036,857	12.30
2.	DATUK ABDUL HAMED BIN SEPAWI	8,550,000	5.83
3.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KING SENG	5,250,000	3.58
4.	QUECK HAN TIONG	4,349,300	2.97
5.	WAI AI LOO	3,347,800	2.28
6.	CHANG HUI KEE	3,127,753	2.13
7.	MAH WAI LOEN	3,113,500	2.12
8.	CHOO KIAN WOON	2,890,000	1.97
9.	QUECK HAN TIONG	2,270,800	1.55
10.	CHUA EE PING	2,250,000	1.53
11.	KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZHANG YANG (029)	2,200,000	1.50
12.	TAY HOCK SOON	2,141,200	1.46
13.	KIBARAN HASRAT SDN BHD	2,125,000	1.45
14.	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR HO BING YU	2,116,800	1.44
15.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH ENG HUAT (M01)	2,037,200	1.39
16.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAROJINI A/P SIVANANDAM	2,000,000	1.36
17.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BERNARD LIM SOON CHIANG	2,000,000	1.36
18.	LOW TEH BENG	2,000,000	1.36
19.	TAN AH LEE	1,950,000	1.33
20.	KOAY WEI LOONG	1,779,000	1.21
21.	NG SUI PING	1,600,000	1.09
22.	BONG HON LIONG	1,420,800	0.97
23.	ONG NGOH ING @ ONG CHONG OON	1,300,000	0.89
24.	AFIZA BINTI ABDUL RAHMAN	1,274,500	0.87
25.	LIU MING	1,089,900	0.74
26.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BENJAMIN LIM KEONG HOE	1,010,000	0.69
27.	VINCENT ANG MAIN SEAH	1,000,000	0.68
28.	HO KAN TENG	950,000	0.65
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH WAI LOEN	879,300	0.60
30.	YANG CHEE WENG	860,000	0.59
		<b>84,919,710</b>	<b>57.92</b>

## NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth 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 Monday, 24 December 2018 at 10.30a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2018 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 RM89,000 for the financial year ended 31 July 2018. **Ordinary Resolution 1**
3. To approve the Directors' fees and benefits payable up to an amount of RM420,000 for the period from 1 August 2018 until the next Annual General Meeting of the Company to be held in 2019. **Ordinary Resolution 2**
4. To re-elect the following Director who retire pursuant to Article 95 of the Articles of Association of the Company:-
  - (i) Mr. Zheng, ZhuoXuan **Ordinary Resolution 3**
5. To re-elect the following Directors who retire pursuant to Article 88 of the Articles of Association of the Company:-
  - (i) Datuk Tan Choon Hwa (JP, JMK) **Ordinary Resolution 4**
  - (ii) Mr. Anthony Goh Shee Hiang **Ordinary Resolution 5**
6. To re-appoint Messrs. Jamal, Amin & Partners as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

### AS SPECIAL BUSINESS

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

## NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (cont'd)

### 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 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 7**

8. 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 : 30 November 2018

#### **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.*

## NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING (cont'd)

6. *In respect of deposited securities, only a members whose names appear on the Record of Depositors on 17 December 2018 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 7

##### - Resolution pursuant to Section 76 of the Companies Act, 2016

The Proposed Ordinary Resolution 7, 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 28 December 2017 which will lapse at the conclusion of this AGM.

Up to the date of this Notice, no shares have been issued pursuant to the general mandate granted at the Twelfth AGM of the Company.

### 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 THIRTEENTH ANNUAL GENERAL MEETING

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

- i. Mr. Zheng, ZhuoXuan
- ii. Datuk Tan Choon Hwa (JP, JMK)
- iii. Mr. Anthony Goh Shee Hiang

The profiles of the Director who is standing for re-election is set out on page 5, 6 and 7 of this Annual Report.

2. The details of attendance of the Director of the Company at Board of Directors' Meetings held during the financial year ended 31 July 2018 are disclosed in the Corporate Governance Statement set out on page 11 of this Annual Report.
3. The details of the Thirteenth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Monday, 24 December 2018	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



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

## PROXY FORM

CDS Account No.	
No. of shares held	

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, \_\_\_\_\_

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 Thirteenth 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 Monday, 24 December 2018 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:

	RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1	To approve the additional payment of Directors' Fees of RM89,000 for financial year ended 31 July 2018		
Ordinary Resolution 2	Payment of Directors' Fees and Benefit from 1 August 2018 up to the next Annual General Meeting of the Company to be held in 2019		
Ordinary Resolution 3	Re-election of Mr. Zheng, ZhuoXuan as Director		
Ordinary Resolution 4	Re-election of Datuk Tan Choon Hwa (JP, JMK) as Director		
Ordinary Resolution 5	Re-election of Mr. Anthony Goh Shee Hiang as Director		
Ordinary Resolution 6	Re-appointment of Messrs Jamal, Amin & Partners as the Company's Auditors and to authorise the Directors to fix their remuneration		
Ordinary Resolution 7	Authority under Section 76 of the Companies Act, 2016 for the Directors to allot and issue shares		

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.

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

	Percentage
Signature/Common Seal	Proxy 1 %
	Proxy 2 %
Date: _____	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 specify 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 members whose names appear on the Record of Depositors on 17 December 2018 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 BERHAD** (639421-X)

**[www.smtrackberhad.my](http://www.smtrackberhad.my)**

**SMTRACK BERHAD** (639421-X)

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