

8. FINANCIAL INFORMATION (Cont'd)

Our historical proforma gross profit and gross profit margin comparison for the Financial Years under Review (save for the FYE 30 September 2007 which is presented for additional information purposes) are as follows:-

FYE 30 September 2007

For FYE 30 September 2007, our gross profit totalled approximately RM1.46 million which represents a gross profit margin of approximately 76.3% to our total sales amount of RM1.92 million. This was mainly attributed to our project with Danawa as more than 90% of our sales from that year were from Danawa.

Our gross profit margin for the initial phase of our implementation for Danawa was relatively high at approximately 80.6% as our Smartware™ was already developed and only required minimal customisation which incurred minimal cost and no provision of hardware yet. The cost of sales was only attributed to outsourcing of manpower to undertake the lower level development work of the RFID system for Danawa under our supervision and requirements. The outsourcing of manpower was done to address the shortage of technical personnel at that point in time.

FYE 30 September 2008 as Compared to FYE 30 September 2007

Our overall gross profit increased from RM1.46 million for the FYE 30 September 2007 to RM9.40 million for the FYE 30 September 2008 which represents an increase of approximately 542.9% due to higher revenue from sales of our products and solutions and new projects secured. Despite this, our gross profit margin decreased from an overall 76.3% in FYE 30 September 2007 to 39.3% for the FYE 30 September 2008.

This was mainly due to the relatively low gross profit margin achieved under our overall sales of the *RFID Applications for Logistics and Manufacturing* solutions as compared to the previous FYE 30 September 2007. Despite achieving a gross profit of RM4.87 million representing 51.8% of our total gross profit for the FYE 30 September 2008, the gross profit margin achieved was only 27.0%. The reason for the low gross profit margin as compared to other RFID solutions categories was because historically, our solutions were bundled with hardware. These hardware not only included RFID equipment but also other ICT peripherals such as servers and computers which make up the bulk of the costs to total sales value. However, sales of hardware generally have low profit margins due to the competitive prices of hardware available in the market and as a result gross profit achieved appears low in comparison to the sales value of the solutions. In addition, costs were incurred for outsourcing of manpower to perform lower level and time consuming development work of the RFID system for S.I.N. Commercial Co. Ltd.

The gross profit margin from our sales of Smartware™ and implementation of our *RFID Library Solutions* was 100% and 90.2% respectively or representing gross profits of RM1.50 million and RM2.86 million respectively. Our Smartware™ middleware licenses are typically sold with minimal degree of customisation to our resellers (system integrators) who use our middleware as part of their RFID solutions for their own clients. The costs involved in the implementation of the *RFID Library Solutions* mainly consisted of installation costs and hardware costs such as readers, RFID tags, cabling, and computers.

Our sales to Johor Port Berhad under the RFID Container Management System and Security Services mainly consisted of RFID tags and therefore gross profit margins were relatively low as well.

8. FINANCIAL INFORMATION (Cont'd)

FYE 30 September 2009 as Compared to FYE 30 September 2008

Our overall gross profit had decreased from RM9.40 million for the FYE 30 September 2008 to RM8.21 million for the FYE 30 September 2009 which represents a decrease of approximately 12.6% despite higher total Group sales. This translates to an overall gross profit margin of 39.3% for FYE 30 September 2008 compared to 23.8% for FYE 30 September 2009.

This was largely due to low gross profit margins achieved from solutions provided under our *RFID Applications for Logistics and Manufacturing* as all the solutions provided to our Thailand-based customers and Malaysian-based customers were a continuity of those initiated during the FYE 30 September 2008 but for the FYE 30 September 2009, most of the sales consisted of hardware which resulted in a profit margin of only 3.7% (based on a gross profit of RM1.0 million) compared to 27.0% (RM4.87 million) in the previous financial year of this solution category.

Despite this, our overall gross profit was supported by higher sales of our Smartware™ which provided us with a 100% gross profit margin representing RM7.21 million or 87.8% of our total gross profit for the FYE 30 September 2009.

FYE 30 September 2010 as Compared to FYE 30 September 2009

Despite higher sales for the FYE 30 September 2009 as opposed to the FYE 30 September 2010, our overall gross profit for the FYE 30 September 2010 of approximately RM12.96 million was higher comparatively to the RM8.21 million gross profits earned during the FYE 30 September 2009. This translates to an overall gross profit margin of 56.9% for FYE 30 September 2010 compared to 23.8% for FYE 30 September 2009.

As explained earlier, the reason for this lies with our change in strategy by focusing on our core strength in providing RFID solutions and implementation in terms of the software/systems aspect and only providing the essential RFID hardware and specialised hardware required in the solutions.

Our favourable gross profit margin of 40.5% (based on a gross profit of RM4.64 million) during the FYE 30 September 2010 was the highest profit margin achieved mainly from our recent sales of RFID solutions to a few of our resellers under the *RFID Applications for Logistics and Manufacturing* category in comparison to all gross profit margins achieved in the same category throughout the financial years of FYE 30 September 2008 and 2009 which gives an indication to the success of this strategy. However, for our sales to PT Andira Citra Mandiri Utama under the same category, the gross profit achieved was only approximately RM0.59 million representing a gross profit margin of 8.0% as indicated under our gross profit segmentation by geography above. This is because only a smaller portion of the sales value was related to the provision of the software aspect of our RFID solution whilst the remaining sales value was attributable to the sourcing of security control and monitoring related equipment, GPS equipment and other related hardware which are essential to the solution provided. Furthermore, our Company only provided the bundled solution but was not involved in the system integration process.

Our 100% gross profit margin derived from the sales of our Smartware™ amounting to RM8.09 million during the FYE 30 September 2010 compared to the previous financial year's FYE 30 September 2009 of RM7.21 million which translate to an increase of 12.2% also contributed to our improved overall gross profit margin. Gross profit earned from our *RFID Library Solutions* was mainly derived from sales of additional RFID readers and RFID tags.

8. FINANCIAL INFORMATION (Cont'd)

(d) Administration Expenses, Depreciation costs, Staff Costs, Selling & and Distribution Expenses

Our administration expenses consist mainly of directors' remuneration, travelling expenses and other miscellaneous expenses. Selling and distribution expenses include marketing and promotional expenses. Other expenses included are depreciation costs and staff costs. Our operating expenses for the FYE 30 September 2008, 2009 and 2010 are as follows:-

	← Proforma →		← Audited →
	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Administrative expenses (excluding related staff costs and depreciation costs)	839	1,099	2,061
Impairment of goodwill	-	-	864
Depreciation costs	4	131	142
Staff costs	167	403	681
Selling and distribution expenses (excluding related staff costs)	-	132	242
Other expenses	-	-	8
Total Operating Costs	1,010	1,765	3,998
Percentage of total sales (%)	4.22	5.11	17.56

Note:-

* Negligible.

The overall costs increase from FYE 30 September 2008 to FYE 30 September 2009 were predominantly due to higher staff costs owing to the increase in the number of employees, directors' remuneration, travelling expenses and marketing expenses for the expansion of our business, in addition to depreciation costs and the cost incurred for the appointment of professionals to mediate the acquisition of Smartag International under our Group.

The significant increase in overall operating expenses during the FYE 30 September 2010 compared to the FYE 30 September 2009 was due to the full impairment of the carrying amount of goodwill arising from the acquisition of Smartag International. Other reasons for increase in costs were attributed to higher staff costs, directors' remuneration, travelling expenses, marketing expenses and expenses in connection to our Listing.

Our staff costs are captured as indirect costs as our personnel are involved in multiple projects and activities in which their time cannot be allocated specifically to the individual projects or activities.

Overall, our total operating costs are maintained below 10% of our total revenue for FYE 30 September 2008 and FYE 30 September 2009 except in FYE 30 September 2010 where the total expenses represented approximately 17.56% of our total revenue. This increase in expenses was mainly attributed to expenses mentioned above and a lower total revenue base as compared to FYE 30 September 2010.

8. FINANCIAL INFORMATION (Cont'd)

(e) Taxation

Our Group's effective tax rate for the past three (3) proforma FYE 30 September 2008, 2009 and 2010 are as follows:-

	FYE 30 Sept 2008	FYE 30 Sept 2009	FYE 30 Sept 2010
Effective tax rate (%)	-	0.11	0.01
Malaysian statutory tax rate (%)	26	25	25

The effective tax rate across our Group's FYE 30 September 2008 to 30 September 2010 are insignificant. The taxes paid over the Financial Years under Review are taxation on interest received from our fixed deposits in a local bank.

Our Company was granted MSC status in July 2007, which entitles us to a 100% income tax exemption on profits generated from MSC-qualifying activities for a five (5) year period commencing from July 2007. Our MSC status can be extended for another period of five (5) years upon formal application to the MDeC before the license expiry date. This is given at the discretion of MITI with the concurrence of the Ministry of Finance of Malaysia. By virtue of this pioneer status, certain statutory income generated from our pioneer activities (as recognised by MDeC) during the pioneer period is exempted from income tax.

8.3.2 Key Financial Analysis

(a) Key Ratios

	Proforma		Audited
	FYE 30 September		
	2008	2009	2010
Trade receivable turnover period (months) ⁽¹⁾	3.38	9.90	6.12
Trade payables turnover period (months) ⁽²⁾	1.69	6.48	0.05
Inventory turnover period (months) ⁽³⁾	0.95	0.54	0.07

Notes:-

$$(1) \quad \text{Trade receivables turnover period} = \frac{\text{Trade receivables} \times 12 \text{ months}}{\text{Revenue}}$$

$$(2) \quad \text{Trade payables turnover period} = \frac{\text{Trade payables} \times 12 \text{ months}}{\text{Cost of Sales}}$$

$$(3) \quad \text{Inventory turnover period} = \frac{\text{Average Inventories} \times 12 \text{ months}}{\text{Cost of Sales}}$$

(i) Trade receivables turnover period

Our Group's trade receivables turnover period ranges from approximately three (3) months to about nine (9) months during the Financial Years under Review. During the FYE 30 September 2008, our trade receivables turnover period was within our credit period of up to 120 days given to our clients.

8. FINANCIAL INFORMATION (Cont'd)

The significant increase in our trade receivables turnover period to more than nine (9) months for the FYE 30 September 2009 was mainly due to long receivables turnover from our Thailand-based clients whose sales value collectively made up a significant portion of our total revenue during the FYE 30 September 2009. However, we have since collected the entire amount outstanding from these foreign clients. The receivable turnover period of more than six (6) months for the FYE 30 September 2010 was mainly due to a significant sale made to an Indonesia-based client towards the end of the financial year.

We are putting in place more vigilant collection procedures for our outstanding debts to further improve our working capital and cash flow.

(ii) Trade payables turnover period

The normal credit terms granted to us by our trade suppliers is up to 90 days. Our Group's trade payables turnover period had been within the normal credit period for the FYE 30 September 2008. The significant increase in our trade payables turnover period from approximately two (2) months to six (6) months in FYE 30 September 2009 was mainly due to the long collection period from our Thailand-based clients which delayed our payments to our hardware suppliers.

As we subsequently collected the amounts outstanding, our suppliers were eventually paid and our trade payables turnover period had reduced to less than one (1) month.

(iii) Inventory turnover period

Our inventory turnover period has remained relatively low at one (1) month as we are a solutions-based Company and our inventories mainly consist of work-in-progress inventory for confirmed project.

(b) Debtors' Ageing Analysis

An ageing analysis of the trade receivables of our Group as at the FYE 30 September 2010 and the subsequent collections up to 31 January 2011 are set out as follows:-

	Within standard credit period		Exceeding credit period of 120 days		Total (RM'000)
	0 - 60 days RM ('000)	61 - 120 days RM ('000)	121 - 150 days RM ('000)	> 151 days RM ('000)	
As at 30 September 2010:-					
Trade receivables	8,466	1,148	1,958	39	11,611
Less: Allowance for doubtful debts	-	-	-	-	-
Net trade receivables	8,466	1,148	1,958	39	11,611
% of total receivables	72.91	9.89	16.86	0.34	100.00

8. FINANCIAL INFORMATION (Cont'd)

	Within standard credit period		Exceeding credit period of 120 days		Total (RM'000)
	0 – 60 days RM ('000)	61 – 120 days RM ('000)	121 – 150 days RM ('000)	> 151 days RM ('000)	
Less: Subsequent collections up to 31 January 2011	772	1,148	1,958	-	3,878
Net trade receivables *	7,694	-	-	39	7,733
% of outstanding receivables to total receivables	66.26	-	-	0.34	66.60

Note:-

* Based on debtor's ageing as at 30 September 2010.

Our Group's standard credit period is up to 120 days. As at 30 September 2010, RM9.61 million or 82.8% of total net trade receivables fall within the credit period given. The remaining balances of approximately RM2.00 million or 17.2% of the net trade receivables exceeded our Group's credit period. Of this amount, RM1.96 million has been collected for debts exceeding 120 days as at 30 September 2010, representing 98.0% of debts under this category. The remaining RM0.04 million is the amount owing by Johor Port Berhad pending the resolution of a dispute with the third party hardware supplier. Please refer to Section 15.4 of the Prospectus for further details.

As at the 31 January 2011, RM3.88 million which represents 33.40% of the total outstanding receivables of RM11.61 million as at 30 September 2010 had been collected.

(c) Creditors' Ageing Analysis

An ageing analysis of the trade payables of our Group as at FYE 30 September 2010 is set out as follows:-

	Within standard credit period			Exceeding credit period of 90 days	Total (RM'000)
	0 – 30 days RM ('000)	31 – 60 days RM ('000)	61 – 90 days RM ('000)	> 90 days RM ('000)	
Trade payables	-	-	-	40	40
% of total payables	-	-	-	100%	100%

Our Group's standard credit period for trade payables is up to 90 days. As at 30 September 2010, we do not have any amount owing to creditors within the credit period of 90 days and only about RM0.04 million of payables outstanding more than 90 days. The outstanding amount of RM0.04 million for more than 90 days is due to on-going dispute with a RFID third party hardware supplier for sales made to Johor Port. Our Group has filed a lawsuit against the hardware supplier for this issue which is detailed in Section 15.4 of this Prospectus.

8. FINANCIAL INFORMATION (Cont'd)

8.3.3 Impact of Foreign Exchange, Interest Rates, Inflation and Commodity Prices

Our overseas projects and sales of solutions were historically transacted in USD and we have business transactions in foreign currencies during the normal course of our business for certain hardware supplies procured from overseas suppliers. We believe that our pricing structure will allow sufficient buffer against any adverse foreign currency movements.

However, for the purpose of our Land Checkpoint Project and Port Project moving forward, we expect to some extent, our revenue and cost may be determined in foreign currencies. Our Board will consider utilizing hedging instruments or other mitigating strategies against adverse foreign currency exchange moments when our sales and purchases amount in foreign currencies become material.

Nonetheless, thus far we have not experienced any material and adverse impact of foreign exchange, interest rates, inflation and commodity prices on our historical profits for the Financial Years under Review.

8.3.4 Exceptional Items

There were no other exceptional items including acquisition of assets or disposals other than in the ordinary course of business for the Financial Years under Review.

8.3.5 Impact of Government, Economic, Fiscal or Monetary Policies

There is no government, economic, fiscal and monetary policies or factors that have materially impacted our historical profits for the Financial Years under Review. Despite this, the relevant potential risks are detailed under Section 6.3 (b) in this Prospectus.

8.3.6 Treasury Policies and Objectives

We have been financing our operations via cash generated internally from our operations and other credit facilities.

Currently, we have trade facilities for Letter of Credit and Trust Receipts. The interest rate for our facility drawn-down is based on base lending rates prevailing at the dates of the respective transactions plus a margin agreed upon by our bankers when those respective loans were granted. As at 30 September 2010, our Group does not have any borrowings. Our Trust Receipts facility has an approved drawdown limit of up to RM2.00 million for the purpose of our trade requirements, of which RM0.99 million had been drawn-down as at the 31 January 2011.

Historically, our operations were mainly denominated in RM and USD. Although most of our exposure to foreign exchange fluctuation was limited to only one currency type, our management constantly monitors the Group's foreign currency exposure. Currently, we do not utilize any hedging instrument due to our limited exposure. Our Board will consider utilizing hedging instruments or other mitigating strategies against adverse foreign currency exchange moments when our sales and purchases amount in foreign currencies become material.

8.4 LIQUIDITY AND CAPITAL RESOURCES**8.4.1 Working Capital**

Our Group has financed our operation via cash generated internally from our operations and other credit facilities. At the initial stages of our operations, the funding was mainly sourced from equity.

8. FINANCIAL INFORMATION (Cont'd)

Our Directors are of the opinion that our Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus after taking into consideration the current cash flow position and net proceeds from the Public Issue.

8.4.2 Group Cashflow Summary

Our Group's cash and cash equivalent at the end of the FYE 30 September 2010 is approximately RM0.96 million representing an improvement of about RM0.33 million from FYE 30 September 2009 due to subsequent collection from trade receivables and higher sales margins. It should be noted that had the proceeds from the Public Issue of RM17.67 million been factored in the consolidated cash flow statement, the cash and cash equivalent at the end of the financial year, would have increased to RM18.63 million (before the utilization of listing proceeds).

There is currently no legal, financial or economic restriction on the ability for our Company or its subsidiary companies to transfer funds in the form of cash dividends, loans or advances. All cash and cash equivalent are held in RM.

The following is the net cash flow from the respective activities of our Group for the FYE 30 September 2010:-

	Group Net Cash Inflow / (Outflow) FYE 30 Sept 2010
	RM'000
Net cash generated from	
Operating Activities	15,398
Investing Activities	(15,064)
Financing Activities	(8)
	<hr/> 326
Cash and cash equivalent at the beginning of the financial year	635
Cash and cash equivalents at the end of the financial year	<hr/> 961 <hr/>

(i) Net Cash Flow Used in Operating Activities

For the FYE 30 September 2010, our net cash inflow of RM15.39 million was attributable to higher PBT of RM10.34 million adjusted for depreciation expenses, goodwill written-off, interest income, share of results of a jointly controlled entity, inventories and better collection for receivables which was offset with payments to trade payables.

(ii) Net Cash Flow Used in Investing Activities

For the FYE 30 September 2010, the net cash outflow used in investing activities amounting to about RM15.06 million was due to capital expenditure incurred arising from infrastructures and equipment relating to our Port Project and Land Checkpoint Project and also further expenditure on software tools for our Port Project totaling approximately RM10.05 million and investment in Sure-Reach Smartag of approximately RM5.01 million. The investment into Sure-Reach Smartag is expected to be used over a period of two (2) years for development of the solution and business.

8. FINANCIAL INFORMATION (Cont'd)

(iii) Net Cash Flow from Financing Activities

For the FYE 30 September 2010, the net cash outflow is attributed to interest paid for interest on trust receipts.

8.4.3 Borrowings

As at 30 September 2010, our Group does not have any borrowings. Our trust receipts facility has an approved drawdown limit of up to RM2.00 million for the purpose of our trade requirements, of which RM0.99 million had been drawn-down as at the 31 January 2011.

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the Financial Years under Review thereof until the LPD.

As at the LPD, neither we nor our subsidiaries comprising Smartag Technologies and Smartag International and our jointly-owned entity Sure-Reach Smartag are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial position and results or business operations, or the investments by holders of securities in our Company.

8.5 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

(a) Historical Material Capital Expenditures and Divestitures

Save as disclosed below, we have not incurred any material capital expenditure and divestiture (including interests in other corporations), for the last three (3) proforma FYE 30 September 2008, FYE 30 September 2009 and audited FYE 30 September 2010 and up to the date of this Prospectus:-

	FYE 30 Sept 2008 RM'000	FYE 30 Sept 2009 RM'000	FYE 30 Sept 2010 RM'000
Material Expenditure			
Smartag Solutions	-	769 ¹	5,015 ¹
Material Divestiture			
Smartag Solutions	-	729 ²	-

Note 1

Material Expenditure

FYE	Item	Description	Source of financing	Cost Amount RM'000
FYE 30 Sept 2009	Investment in our 98.6% owned subsidiary Smartag International	Purchase Smartag International at a consideration of USD200,000	Internal funds	769
FYE 30 Sept 2010	Investment in our 50% jointly-owned company Sure-Reach Smartag Sdn Bhd	Subscription of 5,015,000 shares representing 50% shareholding in Sure-Reach Smartag Sdn Bhd at RM1.00 each	Internal funds	5,015

Note 2

8. FINANCIAL INFORMATION (Cont'd)**Material Divestiture**

FYE	Item description	NBV Amount RM'000
FYE 30 September 2009	Divestment of patent to a third party	729

Note:-

- * The patent was purchased from a third party at a cost of RM0.92 million and was valued at NBV of RM0.73 million before being sold for a total cash consideration of RM0.77 million during the FYE 30 September 2009 to another third party. There is a gain of approximately RM0.04 million from the disposal.

(b) Material Capital Expenditure and Divestiture In Progress

Our Board has also confirmed that there are no material capital expenditures and divestitures currently in progress during the period from 30 September 2010 up to the date of this Prospectus.

8.6 TREND INFORMATION**8.6.1 Prospects of Our Group and the RFID Market**

Observing the many applications that RFID can be deployed in, there is great potential for this industry to grow. Standardisation is expected to help spur growth in the RFID market as the operating parameters with which industry players can set their systems to function are agreed upon thereby allowing different industry players to create different solutions in different countries that can operate using interchangeable RFID components that may be made from different manufacturers. Thus standardisation provides a guideline that RFID solution providers and end-users can use when deploying new RFID systems in different application settings.

The global RFID market was valued at USD1.7 billion in 2006 and reached approximately USD2.7 billion in 2009. The global market is expected to grow to USD5.8 billion in 2013, at a CAGR of 20.7 percent from 2010 to 2013. The Asia Pacific RFID market, estimated at USD398.1 million in 2006 and growing at a CAGR of 18.3 percent from 2006 to 2013 is expected to reach USD658.3 million in 2010. The market is expected to grow to USD1.40 billion by 2013 with a CAGR of approximately 21.9 percent between 2010 and 2013. The market in South East Asia grew from approximately USD 16.2 million in 2006 to USD 24.3 million in 2009. The anticipated CAGR for RFID in South East Asia is expected to be approximately 18.1 percent from 2010 to 2013, and industry revenue reaching USD46.3 million at the end of this period.

Smartag provides RFID solutions for supply chain management and security, asset tracking, and access control applications in port settings to support supply chain management in Malaysia and Thailand. There is a potentially high demand for RFID systems to be put in place in ports to manage the high container throughput being moved through ports in Asia Pacific. The Asia Pacific container throughput is estimated to be about 240 million TEUs in 2009 and expected to reach 327 million TEUs in 2013. The RFID supply chain management applications market enjoyed a CAGR of 25.2 percent between 2006 and 2009 growing from approximately USD36.3 million in 2006 to approximately USD71.2 million in 2009, and is expected to show a CAGR of 37.1 percent between 2010 and 2013 growing to an estimated USD234.7 million by 2013. The increase in RFID applications market and rising container throughput that could potentially use RFID supply chain applications solutions bodes well for Smartag.

8. FINANCIAL INFORMATION (Cont'd)

Solution providers that can provide RFID solutions that are reliable, can be deployed in a variety of environments, is able to work seamlessly with other data capture systems, and offers a high level of service and skillset to meet the customer requirements are expected to enjoy growth and profitability in the industry.

Source: Frost & Sullivan

8.6.2 Factors and Trends Affecting Future Financial Condition and Results

Despite the prospects of RFID technology and the various applications that we can expand our business into, we foresee certain factors and risks that may affect our future financial condition and results as follows:-

- (a) The success of our on-going Land Checkpoint Project and Port Project and our ability to continuously secure other new projects to sustain our revenue growth and business expansion opportunities;
- (b) The dependency on a few clients and/or projects which in turn may affect our liquidity should collectability of debts for our services rendered prove difficult. Nonetheless, we expect this risk to gradually reduce as we focus on increasing our customer base through our Land Checkpoint Project and Port Project or other projects in which we can apply business models which are recurring in nature. Furthermore, we are putting in place stricter policies especially with regards to our debt collection follow-up;
- (c) Besides ensuring better debt collections, our ability to maintain liquidity, provide for working capital and funding new projects will be dependent on our ability to sustain healthy profit margins by reducing the risks of costs overruns in our projects and avoid committing direct resources for hardware supply by arranging back-to-back payments between our client and trade suppliers whenever possible;
- (d) The potential effects of adverse or favourable foreign exchange currency movements due from future expected sources of higher foreign based revenue and certain hardware or equipment to be sourced from foreign suppliers such as the RFID E-Seal manufactured by SSET;
- (e) Slow up-take in RFID technology and perceived high costs especially among potential users may slow our growth and business expansion. However, we expect higher acceptance as continuous awareness of the benefits of RFID is made; and
- (f) As technical and industry knowledge is key to our service delivery, awareness in technological advancement and business expansion strategies, our dependency on our key personnel and inability to retain and/or attract new competent employees may limit our growth should we fail to retain or replace them.

Please refer to Section 6 of this Prospectus for further information on potential risk factors.

8.6.3 Potential Projects of our Group

Besides our on-going Land Checkpoint Project and Port Project, our Company is in the process of awaiting the outcome of several project tenders and in negotiations with certain parties to secure new projects.

In addition, our joint-venture efforts with Sure Reach Worldwide Express Sdn Bhd via Sure-Reach Smartag will aim to explore the application of RFID in the courier service and record management industry and provide another source of revenue.

Further information on our Group's future plans and strategies are detailed in Section 5.15 of this Prospectus.

8. FINANCIAL INFORMATION (Cont'd)

8.7 MATERIAL LITIGATION, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**(a) Material Litigation**

Save as disclosed in Section 15.4 of this Prospectus, as at the LPD, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial performance and position of our Group and our Board has no knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially affect the position and business of our Group.

(b) Material Capital Commitments

There is no material capital commitments incurred or known to be incurred by us or our subsidiary companies, which upon become enforceable, may have a material impact on the financial position as at LPD.

(c) Other Material Commitments

On 17 March 2009, Smartag International issued a non-interest bearing Revolving Promissory Note to our Company for a total of USD200,000. As at 30 September 2010, a total amount of USD91,452 (ringgit equivalent of RM282,357 at the conversion rate of USD1:RM3.0875 as at 30 September 2010) has been drawn-down and there is a sum of USD108,548 (ringgit equivalent of RM335,142 at the conversion rate of USD1:RM3.0875 as at 30 September 2010) remaining to be drawn-down. This Promissory Note is renewable annually on 31 December of each year. Further details of the Revolving Promissory Note is disclosed in Section 4.2.2 (f) of this Prospectus.

As disclosed in Section 4.3 (b), our Company has entered into an agreement on 9 June 2010 with CRUISE GPS Systems Sdn Bhd to develop a land fleet management system that incorporates GPS and RFID for real-time monitoring of vehicles. The project cost is estimated at RM3.54 million and we have incurred an expenditure of RM2.83 million for this collaboration as at LPD. There are still remaining material capital commitments of approximately RM0.71 million by our Group and the management expects the development of the system to be completed by 2011.

Save for the Revolving Promissory Note and our agreement with CRUISE GPS Systems Sdn Bhd, there are no other material commitments incurred or known to be incurred by us or our subsidiary companies, which upon become enforceable, may have a material impact on the financial position as at LPD.

(d) Contingent Liabilities

There is no contingent liabilities as at the LPD which has become enforceable or is likely to become enforceable, which in the opinion of our Directors, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES

9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Promoters and Substantial Shareholders' Shareholdings

The shareholdings of our Promoters and substantial shareholders as at the LPD and after the Public Issue are as follows:

Name	Nationality/ Place of Incorporation	As at LPD (before Public Issue)			After the Public Issue		
		Direct	Indirect	% held	Direct	Indirect	% held
		No of Shares held	No of Shares held	% held	No of Shares held	No of Shares held	% held
Promoters and substantial shareholders							
Datuk Abdul Hamed bin Sepawi	Malaysian	51,000,000	-	-	51,000,000	-	-
Lim Peng Keong	Malaysian	26,520,000	11,050,000	¹ 6.50	26,520,000	11,050,000	¹ 4.87
Choong Huck Liang	Malaysian	25,330,000	-	-	25,330,000	-	-
Substantial shareholders							
Klbaran Hasrat Sdn Bhd	Malaysia	8,500,000	-	-	8,500,000	-	² 3.74
Yong Nyan Ted	Malaysian	-	8,500,000	³ 5.00	-	8,500,000	³ 3.74
Lim Ai Siok	Malaysian	-	8,500,000	³ 5.00	-	8,500,000	³ 3.74
Luas Makmur Sdn Bhd	Malaysia	12,070,000	-	-	12,070,000	-	5.32
Chan Siew Ling	Malaysian	-	12,070,000	⁴ 7.10	-	12,070,000	⁴ 5.32
Ng Tee Yaw @ Ng Tee Chuan	Malaysian	-	12,070,000	⁴ 7.10	-	12,070,000	⁴ 5.32
Namnan Co. Ltd	Thailand	11,050,000	26,520,000	⁵ 15.60	11,050,000	26,520,000	⁵ 11.68
Jinjuta Krongjaiboon	Thai	-	11,050,000	⁶ 6.50	-	11,050,000	⁶ 4.87

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

Name	Nationality/ Place of Incorporation	As at LPPD (before Public Issue)			After the Public Issue		
		Direct	Indirect	Total	Direct	Indirect	Total
		No. of Shares held	No. of Shares held	% held	No. of Shares held	No. of Shares held	% held
Substantial shareholders							
Online Entertainment Sdn Bhd	Malaysia	19,975,000	-	11.75	19,975,000	-	8.80
Yap Chee Song	Malaysian	-	19,975,000	11.75	-	19,975,000	7.80
Ivan Yow Jit Vern	Malaysian	-	19,975,000	11.75	-	19,975,000	7.80

Notes:

- (1) Jinjuta Krongjaiboon is the spouse of Lim Peng Keong, a director of the Company. Jinjuta's indirect shareholdings in the Company via Namnan Co. Ltd is disclosed as the indirect shareholdings of Lim Peng Keong in the Company in compliance with the statutory requirements of Section 134(12)(c) of the Act. However, based on Section 6A(4) of the Act, Lim Peng Keong is not a person deemed to have interest in the shares of the Company held by Namnan Co. Ltd (and indirectly Jinjuta) as both Lim Peng Keong and Jinjuta exercise independent control over their respective shareholdings in the Company.
- (2) Ceases to be a substantial shareholder of our Company after the Public Issue.
- (3) Deemed interested pursuant to Section 6A of the Act by virtue of their shareholdings in Kibaran Hasrat Sdn. Bhd.
- (4) Deemed interested pursuant to Section 6A of the Act by virtue of their shareholdings in Luas Makmur Sdn. Bhd.
- (5) This is the direct interest of Lim Peng Keong in the Company. However, based on Section 6A(4) of the Act, Namnan Co. Ltd is not a party deemed to have an interest in the Shares of the Company held by Lim Peng Keong as Lim Peng Keong and Namnan Co. Ltd exercise independent control over their respective shareholdings in the Company.
- (6) Deemed interested pursuant to Section 6A of the Act by virtue of the shareholdings in Namnan Co. Ltd.
- (7) Deemed interested pursuant to Section 6A of the Act by virtue of their shareholdings in Online Entertainment Sdn. Bhd.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.2 Background Information on Promoters

Datuk Abdul Hamed bin Sepawi, Lim Peng Keong and Choong Huck Liang, who are the promoters and substantial shareholders of our Group, are also the Directors of Smartag Solutions. Lim Peng Keong is the CEO and Choong Huck Liang is the CTOO of our Group and are also part of the key management of the Group.

**Datuk Abdul Hamed bin Sepawi, Malaysian, aged 61
Non-Independent Non-Executive Chairman**

Datuk Abdul Hamed bin Sepawi, 61, Malaysian, was appointed as our Non-Independent Non-Executive Chairman on 2 July 2008 and is also a Non-Independent Non-Executive Director of the Company. He graduated with a Bachelor of Science degree from University of Malaya in 1971. He is a recipient of the Sarawak Entrepreneur of the Year award for two (2) consecutive years in 2004 and 2005 for his impressive record as an entrepreneur, businessman and a leader of the community in Sarawak. He holds directorships and/or is a shareholder of companies that are involved in civil engineering construction, housing development, oil & gas, shipping, palm oil and timber industries. He is also a qualified forester from which he obtained the MSc in Forest Products from the Oregon State University, USA in 1975 and has been involved in forest management and manufacturing for the last 16 years.

Datuk Hamed is one of the co-founders and executive chairman of Ta Ann Holdings Bhd, a listed company on the Main Market of Bursa Malaysia Securities Berhad which is involved in forestry and oil palm activities. He is also the chairman of Naim Holdings Bhd which is involved in civil construction, property development and oil & gas industries. In 2004, he was nominated as the chairman of Sarawak Energy Bhd, the state's electricity supplier, to steer the state as an energy powerhouse for the region. Datuk Hamed is very much involved in ICT programmes for the rural areas in Sarawak, by bringing ICT driven educational programmes developed by various partners through his company, Danawa Resources Sdn Bhd.

**Lim Peng Keong, Malaysian, aged 32
Chief Executive Officer**

Lim Peng Keong was appointed as our Executive Director on 12 January 2004. He is also currently our CEO and is responsible for the overall day-to-day operations and business development of our Group. He graduated with a Bachelor of Science degree in Computing from the University of Portsmouth in 2001 and obtained a Masters degree in Business Administration majoring in Human Resource Management from the University of Nottingham Trent in 2004.

Mr. Lim joined the workforce in 2001 when he joined a foreign bank as a business financial executive. Later in 2002, he joined the Socio-Economic & Environmental Research Institute ("SERI"), a non-profit independent think-tank as a research member. SERI was formed to formulate strategic planning and policy recommendations for the state of Penang. During Mr. Lim's tenure there, he was assigned to lead in two (2) focus areas, namely the ICT industry and broadband info-structure planning and implementation. He left SERI in 2004 to join Smartag Solutions as one of our Company's pioneering member and director and subsequently helmed the role of CEO of our Company in 2007. During his tenure as CEO of our Company, Mr. Lim has managed to successfully grow our business and reputation as an established RFID service provider through bigger projects and collaborative partnerships with government bodies and business partners.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

**Choong Huck Liang, Malaysian, aged 40
Chief Technical and Operating Officer**

Choong Huck Liang was appointed as our Executive Director on 24 May 2007. He is also currently our CTOO and is responsible for the day-to-day technical operations of our Group including project implementations, overseeing our R&D direction and product development. He has been involved in the local ICT industry for more than 18 years, being exposed to various positions in the industry over the years. Mr. Choong graduated from KDU College accredited by Humber University with a Higher Diploma in Computer Studies in 1993. He is also a Microsoft Certified Systems Engineer, a certificate granted by Microsoft which he obtained in 1998. In 2010, Mr. Choong obtained his MBA from the Wawasan Open University of Malaysia.

Mr. Choong started a sole proprietorship business in 1993 known as System Software Design and later founded Winsoft Technology Sdn Bhd in 1995 as a software development house. In 1998, he was appointed by Penang Network Services Sdn Bhd to set up their data centre to host both emails and websites of the Penang government administration. Later, he founded Javasoftware Communications Sdn Bhd as a managing director in 1999 where he was commissioned to develop independent sub-systems for the ICT systems of various local and multinational companies from industries such as healthcare, ICT, engineering, telecommunication and banking. In 2000, he founded Moset Sdn Bhd, a joint-venture company with Penang Network Services Sdn Bhd to provide e-commerce services.

In 2003, he was awarded the Pingat Jasa Kebaktian by the Penang Yang di-Pertua Negeri for developing the Penang State Government E-Government Application or AdunNET which is a web portal to enable Penang state elected representatives to submit their questions to the Penang State Executive Committee. In 2004, Mr. Choong joined Karensoft Technology Berhad as its Chief Software Architect where he was responsible for the direction of the company in terms of the software division and later left for better prospects at Optical Communication Engineering Sdn Bhd ("OCE") in late 2005 and had a key role in setting up My Penang FON Sdn Bhd to provide fibre optics network services or better known as PenangFON in Penang. He joined Smartag Solutions in 2007 as our CTOO but continued as a consultant for PenangFON until 2009. During his tenure as our CTOO, Mr. Choong has continuously aided our Company in keeping up with the latest technological advancement and trends in RFID. Additionally, Mr. Choong continuously work with our CEO to identify new opportunities, applications and industries in which RFID can be applied to.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.3 Background Information on our Corporate Shareholders which are also Substantial Shareholders

Currently, Kibaran Hasrat Sdn Bhd, Luas Makmur Sdn Bhd, Namnan Co. Ltd and Online Entertainment Sdn Bhd are substantial shareholders of our Company. However, pursuant to the Public Issue, Kibaran Hasrat Sdn Bhd and Namnan Co. Ltd will cease to be substantial shareholders in our Company.

Kibaran Hasrat Sdn Bhd

Kibaran Hasrat Sdn Bhd was incorporated in Malaysia under the Act on 4 December 2007 and is principally an investment holding company. Kibaran Hasrat Sdn Bhd has an authorised share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each in Kibaran Hasrat Sdn Bhd with an issued and paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each in Kibaran Hasrat Sdn Bhd.

As at the LPD, the substantial shareholders and their respective shareholdings in Kibaran Hasrat Sdn Bhd are as follows:-

Substantial Shareholders	←-----Direct-----→		←-----Indirect-----→	
	No. of shares	%	No. of shares	%
Yong Nyan Ted	1	50.00	-	-
Lim Ai Siok	1	50.00	-	-

As at the LPD, the directors of Kibaran Hasrat Sdn Bhd are as follows:-

Directors	←-----Direct-----→		←-----Indirect-----→	
	No. of shares	%	No. of shares	%
Yong Nyan Ted	1	50.00	-	-
Lim Ai Siok	1	50.00	-	-

Luas Makmur Sdn Bhd

Luas Makmur Sdn Bhd was incorporated in Malaysia under the Act on 11 February 2008 and is principally an investment holding company. Luas Makmur Sdn Bhd has an authorized share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each in Luas Makmur Sdn Bhd with an issued and paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each in Luas Makmur Sdn Bhd.

9. **INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

As at the LPD, the substantial shareholders and their respective shareholdings in Luas Makmur Sdn Bhd are as follows:-

Substantial Shareholders	<---Direct--->		<---Indirect--->	
	No. of shares	%	No. of shares	%
Chan Siew Ling	1	50.00	-	-
Ng Tee Yaw @ Ng Tee Chuan	1	50.00	-	-

As at the LPD, the directors of Luas Makmur Sdn Bhd are as follows:-

Directors	<---Direct--->		<---Indirect--->	
	No. of shares	%	No. of shares	%
Chan Siew Ling	1	50.00	-	-
Ng Tee Yaw @ Ng Tee Chuan	1	50.00	-	-

Namnan Co. Ltd

Namnan Co. Ltd was incorporated in Thailand under the Civil and Commercial Code of Thailand on 27 March 2008 and is principally an investment holding company. Namnan Co. Ltd has an authorized share capital of THB1,000,000 comprising of 10,000 ordinary shares of THB100 each in Namnan Co. Ltd with an issued and paid-up share capital of THB1,000,000 comprising 10,000 ordinary shares of THB100 each in Namnan Co. Ltd.

As at the LPD, the substantial shareholders and their respective shareholdings in Namnan Co. Ltd are as follows:-

Substantial Shareholders	<---Direct--->		<---Indirect--->	
	No. of shares	%	No. of shares	%
Jinjuta Krongjaiboon	9,495	94.95	-	-

As at the LPD, the directors of Namnan Co. Ltd are as follows:-

Directors	<---Direct--->		<---Indirect--->	
	No. of shares	%	No. of shares	%
Jinjuta Krongjaiboon	9,495	94.95	-	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Online Entertainment Sdn Bhd

Online Entertainment Sdn Bhd was incorporated in Malaysia under the Act on 5 September 1995 under the name of Winsoft Technology Sdn Bhd. Winsoft Technology Sdn Bhd was initially a company set up by our CTOO, Choong Huck Liang as a software development house but later ceased operations and changed its name to Online Entertainment Sdn Bhd in 15 May 2000. All 50,000 ordinary shares in Online Entertainment Sdn Bhd was transferred at a consideration of RM50,000 of RM1.00 each to Yap Chee Song and Ivan Yow Jit Vern on 11 August 2010.

Online Entertainment Sdn Bhd is principally involved in online trading and website related services. Online Entertainment Sdn Bhd has an authorized share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each in Online Entertainment Sdn Bhd with an issued and paid-up share capital of RM50,000 comprising 50,000 ordinary shares of RM1.00 each in Online Entertainment Sdn Bhd.

As at the LPD, the substantial shareholders and their respective shareholdings in Online Entertainment Sdn Bhd are as follows:-

Substantial Shareholders	← Direct →		← Indirect →	
	No. of shares	%	No. of shares	%
Yap Chee Song	25,000	50.00	-	-
Ivan Yow Jit Vern	25,000	50.00	-	-

As at the LPD, the directors of Online Entertainment Sdn Bhd are as follows:-

Directors	← Direct →		← Indirect →	
	No. of shares	%	No. of shares	%
Yap Chee Song	25,000	50.00	-	-
Ivan Yow Jit Vern	25,000	50.00	-	-

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

9.1.4 Changes in Promoters and Substantial Shareholders' Shareholdings since Incorporation

The changes in the shareholdings of our Promoters and substantial shareholders in our Company for the past three (3) years preceding the LPD are as follows:-

Name	As at 30 September 2008		As at 30 September 2009		As at 30 September 2010		As at 30 September 2011			
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
No. of shares held	% held	No. of shares held	% held	No. of shares held	% held	No. of shares held	% held	No. of shares held	% held	
Promoters and substantial shareholders										
Datuk Abdul Hamed bin Sepawi	6,000,000	30.00	-	-	51,000,000	30.00	-	-	51,000,000	30.00
Lim Peng Keong	3,120,000	15.60	¹ 1,850,000	² 9.25	3,120,000	15.60	11,050,000	² 6.50	26,520,000	15.60
Choong Huck Liang	2,980,000	14.90	³ 1,000,000	5.00	2,980,000	14.90	-	-	25,330,000	14.90
Substantial shareholders										
Lam Siang Choong	-	-	-	-	-	-	-	-	-	-
Lim Poh Boon	3,000,000	15.00	-	-	3,000,000	15.00	-	-	-	-
Kibaran Hasrat Sdn Bhd	1,000,000	5.00	-	-	1,000,000	5.00	-	-	8,500,000	5.00
Yong Nyuan Yed	-	-	-	-	-	-	⁴ 8,500,000	5.00	-	-
Lim Ai Siok	-	-	-	-	-	-	⁴ 8,500,000	5.00	-	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

Name	As at 30 September 2008		As at 30 September 2009		As at 30 September 2010		As at 30 September 2011		As at 30 September 2012	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of shares held	% of shares held	No. of shares held	% of shares held	No. of shares held	% of shares held	No. of shares held	% of shares held	No. of shares held	% of shares held
Substantial shareholders (continued)										
Luas Makmur Sdn Bhd	770,000	3.85	-	-	770,000	3.85	12,070,000	7.10	12,070,000	7.10
Ng Tee Yaw @ Ng Tee Chuan	-	-	6770,000	3.85	-	-	612,070,000	7.10	-	-
Chan Siew Ling	-	-	6770,000	3.85	-	-	612,070,000	7.10	-	-
Namnan Co., Ltd.	850,000	4.25	63,120,000	15.60	850,000	4.25	11,050,000	6.50	11,050,000	6.50
Jinjuta Krongjai boon	-	-	7850,000	4.25	-	-	711,050,000	6.50	-	-
Online Entertainment Sdn Bhd	-	-	-	-	-	-	19,975,000	11.75	19,975,000	11.75
Ivan Yow Jit Vern	-	-	-	-	-	-	619,975,000	11.75	-	-
Yap Chee Song	-	-	-	-	-	-	619,975,000	11.75	-	-

Notes:-

† Pursuant to the Bonus issue.

Based on the issued and paid-up share capital of RM2,000,000 comprising 20,000,000 Shares of RM0.10 each in Smartag Solutions.

^ Based on the issued and paid-up share capital of RM17,000,000 comprising 170,000,000 Shares of RM0.10 each in Smartag Solutions.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

- (1) *Deemed interested pursuant to Section 6A of the Act by virtue of his shareholdings in Kibaran Hasrat Sdn Bhd. Lim Peng Keong ceased to be shareholder of Kibaran Hasrat Sdn Bhd in 14 June 2010 and since then he does not hold any indirect interest in the Company through Kibaran Hasrat Sdn Bhd. The total indirect Shares also includes Jinjuta Krongjaiboon shareholdings in the Company via Namnan Co. Ltd of 850,000 Shares pursuant to Section 134(2)(c) of the Act.*
- (2) *Jinjuta Krongjaiboon is the spouse of Lim Peng Keong, a director of the Company. Jinjuta's indirect shareholdings in the Company via Namnan Co. Ltd is disclosed as the indirect shareholdings of Lim Peng Keong in the Company in compliance with the statutory requirements of Section 134(12)(c) of the Act. However, based on Section 6A(4) of the Act, Lim Peng Keong is not a person deemed to have interest in the shares of the Company held by Namnan Co. Ltd (and indirectly Jinjuta) as both Lim Peng Keong and Jinjuta exercise independent control over their respective shareholdings in the Company.*
- (3) *Deemed interested pursuant to Section 6A of the Act by virtue of the shareholdings in Kibaran Hasrat Sdn Bhd. Choong Huck Liang ceased to be shareholder of Kibaran Hasrat Sdn Bhd in 14 June 2010 and since then he does not hold any indirect interest in the Company through Kibaran Hasrat Sdn Bhd.*
- (4) *Deemed interested pursuant to Section 6A of the Act by virtue of the shareholdings in Kibaran Hasrat Sdn Bhd.*
- (5) *Deemed interested pursuant to Section 6A of the Act by virtue of the shareholdings in Luas Makmur Sdn Bhd.*
- (6) *This is the direct interest of Lim Peng Keong in the Company. However, based on Section 6A(4) of the Act, Namnan Co. Ltd is not a party deemed to have an interest in the Shares of the Company held by Lim Peng Keong as Lim Peng Keong and Namnan Co. Ltd exercise independent control over their respective shareholdings in the Company.*
- (7) *Deemed interested pursuant to Section 6A of the Act by virtue of the shareholdings in Namnan Co. Ltd.*
- (8) *Deemed interested pursuant to Section 6A of the Act by virtue of the shareholdings in Online Entertainment Sdn Bhd.*

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

9.2 BOARD OF DIRECTORS

9.2.1 Directors' Shareholdings

The shareholdings of our Directors as at the LPD and after the Public Issue are as follows:-

Name	As at LPD (before Public Issue)			After the Public Issue		
	Direct No. of Shares held	% held	Indirect No. of Shares held	Direct No. of Shares held	% held	Indirect No. of Shares held
Datuk Abdul Hamed bin Sepawi	51,000,000	30.00	-	51,000,000	22.47	-
Lim Peng Keong	26,520,000	15.60	11,050,000	26,520,000	11.68	11,050,000
Choong Huck Liang	25,330,000	14.90	-	25,330,000	11.16	-
Dato' Seri Chia Kwang Chye	-	-	-	-	-	-
Dato' Ngiam Foon	-	-	-	1,100,000	0.04	-
Lim Boh Soon	-	-	-	1,100,000	0.04	-

Notes:-

(1) Pursuant to allocation of the Issue Shares to the eligible Directors, employees and/or persons who have contributed to the success of our Group.

* Jinjuta Krongjaiboon is the spouse of Lim Peng Keong, a director of the Company. Jinjuta's indirect shareholdings in the Company via Namnan Co. Ltd is disclosed as the indirect shareholdings of Lim Peng Keong in the Company in compliance with the statutory requirements of Section 134(12)(c) of the Act. However, based on Section 6A(4) of the Act, Lim Peng Keong is not a person deemed to have interest in the shares of the Company held by Namnan Co. Ltd (and indirectly Jinjuta) as both Lim Peng Keong and Jinjuta exercise independent control over their respective shareholdings in the Company.

9. **INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

9.2.2 **Profiles of Directors**

Datuk Abdul Hamed bin Sepawi, Malaysian, aged 61
Non-Independent Non-Executive Chairman

Lim Peng Keong, Malaysian, aged 32
Chief Executive Officer

Choong Huck Liang, Malaysian, aged 40
Chief Technical and Operating Officer

For the profiles above, please refer to Section 9.1.2 of this Prospectus.

Dato' Seri Chia Kwang Chye, Malaysian, aged 58
Independent Non-Executive Director

Dato' Seri Chia Kwang Chye was appointed as our Independent Non-Executive Director on 20 September 2010. Dato' Seri Chia holds a Master of Science Degree in Human Settlement Planning from the Asian Institute of Technology, Bangkok, Thailand which he obtained in 1981 and a Bachelor of Science Degree in Housing, Building and Planning from Universiti Sains Malaysia, Penang, Malaysia which he obtained in 1977.

He is actively involved in politics and has held portfolios as Deputy Minister of Information in the Ministry of Information from 2006 to 2008, as Deputy Minister of Internal Security in the Ministry of Internal Security from 2004 to 2006 and was also Parliamentary Secretary under the Ministry of Energy, Communications and Multimedia (now known as the Ministry of Energy, Water and Communications) from 1999 to 2004. He was also Member of Parliament for the Bukit Bendera constituency in Penang for 13 years until 2008. He held the position of Secretary General of Parti Gerakan Rakyat Malaysia and is currently holding the post of Vice President in the party. From 2001 to 2004, Dato' Seri Chia has been the Chairman of the Connectivity Steering Committee of Penang K-ICT Council (now known as the K-Economy Council) which is tasked in advancing and improving the state of Penang in various aspects through ICT.

Dato' Ngiam Foon, Malaysian, aged 55
Independent Non-Executive Director

Dato' Ngiam Foon was appointed as our Independent Non-Executive Director on 20 September 2010. He holds professional qualifications from the Institute of Chartered Accountants in England and Wales which he obtained in 1982 and the Chartered Institute of Management Accountants obtained in 1983. He is a member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Management.

Dato' Ngiam is actively involved in the travel and tour industry. He has held leading positions on the Malaysian Association of Tour and Travel Agents (MATTA) since 2005. He was also on the board of directors on the Malaysian Tourism Promotion Board from 2005 to 2009 and was Co-Chairman of the Tourism Focus Group of the Malaysian Services Development Council from 2007 to 2009. He also actively served on several travel advisory boards including Malaysia Healthcare Travel Advisory Board under the Ministry of Health since 2009, American Express Global Travel Network Advisory Board from 1996 to 2002 and BCD Travel Global Advisory Council which is one of the largest travel management companies in the world from 2007 to 2009. Dato' Ngiam currently is the CEO of a group of travel companies including Asia Experience Tours Sdn Bhd and PST Travel Services Sdn Bhd.

9. **INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**Lim Boh Soon, Singaporean, aged 54
Independent Non-Executive Director**

Lim Boh Soon was appointed as our Independent Non-Executive Director on 20 September 2010. Mr. Lim holds a Bachelor of Science (1st Class Honours) Degree in Mechanical Engineering from the University of Strathclyde, United Kingdom which he obtained in 1981 and subsequently his Ph.D in Mechanical Engineering in 1985. He also holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom as well as a Graduate Diploma in Marketing Management from the Singapore Institute of Management, Singapore both of which he obtained in 1991. He was also awarded the SMU-SID Executive Certificate in Directorship from the Singapore Management University in 2007.

From 2007 to 2010, Mr. Lim became the CEO of Kuwait Finance House (Singapore) Pte Ltd and was tasked to set up the Islamic banking operations in Singapore. Prior to that, from 2005 to 2007, he was appointed as the first foreign expatriate CEO of Vietcombank Fund Management, which is a subsidiary of the Bank for Foreign Trade of Vietnam. At Vietcombank Fund Management, he was instrumental in obtaining its investment license and was part of the fund management team that successfully raised two (2) closed end private equity funds namely Vietcombank Partners Fund I and Vietcombank Partners Fund II with fund values of USD12.5 million and USD120.8 million respectively. Mr. Lim was later part of the fund management team under Kuwait Finance House that successfully set-up the USD150 million Shariah-compliant shipping fund for Kuwait Finance House (Labuan) Berhad and SFS Group PCL which was launched in January 2010. Over the years, he held various senior management positions and has helmed the position of CEO or partner in various regional and multinational companies. Presently, he holds directorship in several public and private companies both in Singapore as well as overseas.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

9.2.3 Directors' Remuneration and Material Benefits-in-Kind

As at LPD all Executive Directors and Independent Directors have been appointed to the Board. The current remunerations of FYE 30 September 2010 and proposed remunerations of FYE 30 September 2011 for services rendered in all capacities to our Group are as follows:-

Director	Compensation Band (Current Remuneration) 30 September 2010	Compensation Band (Proposed Remuneration) 30 September 2011
Lim Peng Keong <i>CEO / Executive Director</i>	RM200,000 to RM250,000	RM300,000 to RM350,000
Choong Huck Liang <i>CTOO / Executive Director</i>	RM200,000 to RM250,000	RM300,000 to RM350,000
Datuk Abdul Hamed bin Sepawi <i>Non- Independent Non-Executive Chairman</i>	-	RM50,000 and below
Dato' Seri Chia Kwang Chye <i>Independent Non-Executive Director</i>	-	RM50,000 and below
Dato' Ngiam Foon <i>Independent Non-Executive Director</i>	-	RM50,000 and below
Lim Boh Soon <i>Independent Non-Executive Director</i>	-	RM50,000 and below

The above remunerations which comprise Directors' fees, any contingent or deferred compensation accrued for the year or to be paid at a later date and allowances.

The remuneration given to our Directors are recommended by the Nominating and Remuneration Committees and subsequently approved by our Board. Our Directors' fees must be further approved or endorsed by our shareholders at a general meeting.

Save for the above, no other amount or benefit has been paid or intended to be paid or given to our Directors for the periods stated in the table above.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2.4 Directors' Term of Office

Our Directors were appointed to the Board and have served in their respective capacity since their respective dates of appointment as set out under Section 9.2.1 of this Prospectus. The Board comprises our Non-Independent Non-Executive Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors.

The relevant articles relating to the Directors' term of office as reproduced from our Articles of Association are as set out below. The words and expressions appearing in the following provisions shall bear the same meaning used in the articles unless they are otherwise defined here or the context otherwise requires:-

Article 88 *An election of Directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires whether adjourned or not.*

Article 89 *The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.*

Article 95 *The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with these Articles. Any Director so appointed shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.*

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

9.2.5 Involvement of Directors in Other Businesses or Corporations

Save as disclosed below, none of our Directors have any directorships as at the LPD and in the last five (5) years nor are involved in any principal business activities performed outside the Group as at the LPD:-

(a) Executive Directors of our Company

Name	Directorships *	Involvement in Business Activities Other Than As A Director **	Date of Appointment / (Resignation) of Directorship
Lim Peng Keong	Present Directorships:-		
	• OCE Dotcomwork Sdn Bhd	Shareholder	18.08.2005
	• Asiante Capital Management Sdn Bhd (formerly known as Asiante Asset Management Sdn Bhd)	Shareholder	24.06.2004
	• Smartag R&D Sdn Bhd ¹	Shareholder	24.06.2004
	• Smartag Manufacturing Sdn Bhd ¹	Shareholder	24.06.2004
	• Smartag Group Ltd ²	Shareholder	15.07.2009
	Past Directorships:-		
	• Synoray Ventures Sdn. Bhd	Shareholder	26.05.2006 / (10.05.2010)
	• Online Entertainment Sdn Bhd	-	17.05.2010 / (14.07.2010)
	• Kibaran Hasrat Sdn Bhd	-	24.03.2008 / (14.06.2010)

Notes:-

* The list does not include companies and businesses that have been dissolved, deregistered, struck-off and winding-up.

** Includes direct and indirect shareholding status.

(1) In the midst of striking off process pursuant to Section 308 of the Act.

(2) Dormant company pending striking out by the registrar of companies.

Lim Peng Keong allocates all of his time to the affairs of the Group. He is not involved in the day-to-day activities and operations of the abovementioned businesses / corporations and accordingly his directorships and/or shareholdings in the abovementioned businesses / corporations do not affect his contribution to our Group or negatively impact his ability to act as the Executive Director and CEO of our Group.

Name	Directorships *	Involvement in Business Activities Other Than As A Director **	Date of Appointment / (Resignation) of Directorship
Choong Huck Liang	Present Directorships:-		
	• Information System Security Advisors Sdn Bhd ¹	Shareholder	11.06.2003 / (25.04.2004) 30.04.2004 (Re-appointed)

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Name	Directorships *	Involvement in Business Activities Other Than As A Director **	Date of Appointment / (Resignation) of Directorship
Choong Huck Liang (<i>cont'd</i>)	• Javasoft Communications Sdn Bhd ¹	Shareholder	04.04.1996
	• Smartag R&D Sdn Bhd ²	Shareholder	08.12.2009
	• Smartag Manufacturing Sdn Bhd ²	Shareholder	08.12.2009
Past Directorships:-			
	• Perkasa Bijak Sdn Bhd	Shareholder	27.03.2006 / (31.07.2009)
	• Digitalway Sdn Bhd	Shareholder	06.12.1996 / (14.07.1999)
	• Software Product Developers Sdn Bhd	-	22.05.2003 / (03.03.2008)
	• Online Entertainment Sdn Bhd	-	10.05.2006 / (14.07.2010)
	• Kibaran Hasrat Sdn Bhd	-	24.03.2008 / (14.06.2010)

Notes:-

* The list does not include companies and businesses that have been dissolved, deregistered, struck-off and winding-up.

** Includes direct and indirect shareholding status.

(1) In the midst of deregistration process pursuant to Section 308 of the Act.

(2) In the midst of striking off process pursuant to Section 308 of the Act.

Choong Huck Liang allocates all of his time to the affairs of the Group. He is not involved in the day-to-day activities and operations of the abovementioned businesses / corporations and accordingly his directorships and/or shareholdings in the abovementioned businesses / corporations do not affect his contribution to our Group or negatively impact his ability to act as the Executive Directors and CTOO of our Group.

(b) Non-Independent Non-Executive Chairman of our Company

Name	Company *	Involvement in Business Activities other than as a director **	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi	Present Directorships:-		
	Ta Ann Holdings Berhad ¹	Shareholder	02.10.1999
	<i>Subsidiaries of Ta Ann Holdings Berhad</i>		
	• Ta Ann Plywood Sdn Bhd	Shareholder	16.06.1993
	• Woodley Sdn Bhd	Shareholder	28.10.1999
	• Pasin Sdn Bhd	Shareholder	26.06.1997
	• Raplex Sdn Bhd	Shareholder	26.03.1998
	• Tanahead Sdn Bhd	Shareholder	22.01.2003

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company*	Involvement in Business Activities other than as a director**	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi (Cont'd)	• Ta Ann Plantation Sdn Bhd	Shareholder	03.11.2003
	• Ta Ann Pelita Silas Plantation Sdn Bhd	Shareholder	12.10.2004
	• Ta Ann Pelita Igan Plantation Sdn Bhd	Shareholder	06.10.2005
	• Mega Bumimas Sdn Bhd	Shareholder	10.02.2006
	• Ta Ann Pelita Durin Plantation Sdn Bhd	Shareholder	11.07.2008
	• Igan Oil Mill Sdn Bhd	Shareholder	06.02.2009
	• Menyan Plantation Sdn Bhd	Shareholder	24.06.2004
	• Manis Oil Sdn Bhd	Shareholder	24.06.2004
	• Multi Maximum Sdn Bhd	Shareholder	13.09.2004
	• Daro Oil Mill Sdn Bhd	Shareholder	05.02.2009
	• Europalm Sdn Bhd	Shareholder	30.12.2009
	• Zumida (Padi) Sdn Bhd	Shareholder	03.04.2007
	• Borlin Sdn Bhd	Shareholder	05.09.2001
	• Ta Ann Pelita Assan Plantation Sdn Bhd (formerly known as Easan Plantation Sdn Bhd)	Shareholder	24.06.2004
	• Ta Ann Tasmania Pty Ltd (Australia)	Shareholder	12.08.2005
	• Ta Ann Eco-Timber Industries (YZ) Pty Ltd (China)	Shareholder	02.04.2008
	• Ta Ann Pelita Kanowit Plantation Sdn Bhd	Shareholder	18.01.2011
	Naim Holdings Berhad²		Shareholder
<i>Subsidiaries of Naim Holdings Berhad</i>			
	• Naim Cendera Sdn Bhd	Shareholder	12.10.1995
	• Total Reliability Sdn Bhd	Shareholder	11.11.1995
	• Naim Engineering Sdn Bhd (formerly known as NCSB Engineering Sdn Bhd)	Shareholder	22.04.2008
	• Naim Realty Sdn Bhd	Shareholder	23.03.2010
	• Naim Utilities Sdn Bhd	Shareholder	26.02.2005
Sarawak Plantation Berhad²		Shareholder	30.08.2005
<i>Subsidiary of Sarawak Plantation Berhad</i>			
	• Sarawak Plantation Agriculture Development Sdn Bhd	Shareholder	01.05.2007

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Name	Company*	Involvement in Business Activities other than as a director	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi (<i>Cont'd</i>)	• Acacia Cellulose International Sdn Bhd	-	22.12.2003
	• Adil Bumimas Sdn Bhd	Shareholder	27.09.2006
	• Cermat Ceria Sdn Bhd	Shareholder	07.03.2005
	• Danawa Resources Sdn Bhd	Shareholder	12.04.2005
	• Tribune Press Sdn Bhd	Shareholder	14.02.2006
	• Grand Perfect Sdn Bhd	Shareholder	08.08.2002
	• Jasa Sarawak Sdn Bhd	Shareholder	12.11.1988
	• Lembah Rakyat Sdn Bhd	Shareholder	21.05.2003
	• Mountex Sdn Bhd	Shareholder	01.10.1999
	• Sinar Kiara Ventures Sdn Bhd	Shareholder	27.09.2006
	• Tapak Beringin Sdn Bhd	Shareholder	21.05.2003
	• Gasijaya Woods Sdn Bhd	Shareholder	30.06.2009
	• Sarawak Planted Forest Sdn Bhd	-	08.10.2007
	• Mountex Satu Sdn Bhd	Shareholder	21.11.2009
	• Brookpark (S) Sdn Bhd	Shareholder	01.02.1993
	• Adat Mayang Sdn Bhd	-	05.05.2003
	• Borneo Modern Brick and Tiles Sdn Bhd	Shareholder	16.11.1979
	• Summerwood Sdn Bhd	Shareholder	16.06.1985
	• Mitzmara Sdn Bhd	Shareholder	13.06.2005
	• Palmhead Holdings Sdn Bhd	Shareholder	14.07.2008
• Majestic Vest Sdn Bhd	Shareholder	19.06.2002	
• S&U Resources Sdn Bhd	-	11.11.1981	
	Sarawak Energy Berhad	-	27.06.2005
	<i>Subsidiary of Sarawak Energy Berhad</i>		
	• Syarikat SESCO Berhad	-	13.04.2007
	Companies which he is not a director but has shareholdings		
	Subsidiaries of Ta Ann Holdings Berhad		
	• Tanjong Manis Holdings Sdn Bhd	Shareholder	-
	• Lik Shen Sawmill Sdn Bhd	Shareholder	-
	• Hariwood Sdn Bhd	Shareholder	-
	• Questate Sdn Bhd	Shareholder	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company*	Involvement in Business Activities other than as a director**	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi (Cont'd)	• Borneo Tree Seeds & Seedlings Supplies Sdn Bhd	Shareholder	-
	• Tatatze Sdn Bhd	Shareholder	-
	• Tabes Sdn Bhd	Shareholder	-
	• Zumida Sdn Bhd	Shareholder	-
	• M.J. Wood Co. Ltd	Shareholder	-
	• Aldehyde Chemicals Sdn Bhd	Shareholder	-
	• Ecoforest Sdn Bhd	Shareholder	-
Subsidiaries of Naim Holdings Berhad			
	• TR Bricks Sdn Bhd	Shareholder	-
	• Naim Housing Sdn Bhd	Shareholder	-
	• Plus Viable Sdn Bhd	Shareholder	-
	• Aktif Majusama Sdn Bhd	Shareholder	-
	• Naimcendera Engineering & Construction Sdn Bhd	Shareholder	-
	• Desa Ilmu Sdn Bhd	Shareholder	-
	• Naim Citra Sdn Bhd	Shareholder	-
	• TR Smart Piles Sdn Bhd	Shareholder	-
	• TR Green Sdn Bhd	Shareholder	-
	• Naim Cendera Dua Sdn Bhd	Shareholder	-
	• Naim Commercial Sdn Bhd	Shareholder	-
	• Khidmat Mantap Sdn Bhd	Shareholder	-
	• Naim Management Sdn Bhd	Shareholder	-
	• Naim Ready Mix Sdn Bhd	Shareholder	-
	• Yakin Pelita Sdn Bhd	Shareholder	-
	• Naim Equipment Sdn Bhd	Shareholder	-
	• Dataran Wangsa Sdn Bhd	Shareholder	-
	• Peranan Makmur Sdn Bhd	Shareholder	-
	• Naim Cendera Lapan Sdn Bhd	Shareholder	-
	• Naim Overseas Sdn Bhd (formerly known as Peranan Prima Sdn Bhd)	Shareholder	-
	• Naim Engineering Construction (Fiji) Limited (formerly known as Naim Cendera Engineering Construction Limited)	Shareholder	-
	• Simbol Warisan Sdn Bhd	Shareholder	-
	• Jelas Kemuncak Resources Sdn Bhd	Shareholder	-
	• Naim Cendera Tujuh Sdn Bhd	Shareholder	-
	• Yakin Jelas Sdn Bhd	Shareholder	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company *	Involvement in Business Activities other than as a director **	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi (Cont'd)	• Naim Incorporated Berhad	Shareholder	-
	• Akademi Binaan Naim Sdn Bhd	Shareholder	-
	• Warisan Makna Sdn Bhd	Shareholder	-
	• Naim Ambang Sdn Bhd (formerly known as Peranan Pakatan Sdn Bhd)	Shareholder	-
	• Sinohydronaim Sdn Bhd	Shareholder	-
	• TR Concrete Sdn Bhd	Shareholder	-
	• Naim Quarry (Fiji) Limited	Shareholder	-
	• Naim Pemix (Fiji) Limited	Shareholder	-
	• Permyjaya Sino Education Sdn. Bhd	Shareholder	-
Subsidiaries of Sarawak Plantation Berhad			
	• Sarawak Plantation Property Holding Sdn Bhd	Shareholder	-
	• Sarawak Plantation Services Sdn Bhd	Shareholder	-
	• SPS Trading Sdn Bhd	Shareholder	-
	• SPB Pelita Suai Sdn Bhd	Shareholder	-
	• Lionsun Timber Sdn Bhd	Shareholder	-
	• Azaria Sdn Bhd	Shareholder	-
	• Cayamas Sdn Bhd	Shareholder	-
	• Sarawak Plantation Property Development Sdn Bhd	Shareholder	-
	• SPB Pelita Wak Pakan Sdn Bhd	Shareholder	-
	• SPB Pelita Mukah Sdn Bhd (formerly known as SPB Pelita 5 & 6 Sdn Bhd)	Shareholder	-
	• Butrasemani Sdn Bhd	Shareholder	-
	• Corkman Industries Sdn Bhd	Shareholder	-
	• Custodev Construction Sdn Bhd(subsidiary of Custodev Sdn Bhd)	Shareholder	-
	• Custodev Dua Sdn Bhd (wholly owned by Custodev Sdn Bhd)	Shareholder	-
	• Custodev Empat Sdn Bhd (wholly owned by Custodev Sdn. Bhd)	Shareholder	-
	• Grand Safeways (S) Sdn Bhd	Shareholder	-
	• Ladang Selezu Sdn Bhd	Shareholder	-
	• Long Bangan Sdn Bhd	Shareholder	-
	• Medan Sepadu Sdn Bhd	Shareholder	-
	• Mekar Dahlia Sdn Bhd	Shareholder	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company *	Involvement in Business Activities other than as a director	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi (Cont'd)	• Sebbu Sdn Bhd	Shareholder	-
	• Sepateh Holding Sdn Bhd	Shareholder	-
	• Sepawie & Sons Sdn Bhd	Shareholder	-
	• Tegap Pesat Sdn Bhd	Shareholder	-
	• Usaha Cendera Sdn Bhd	Shareholder	-
	• WHK Enterprise Sdn Bhd	Shareholder	-
	• WHS Holdings Sdn Bhd	Shareholder	-
	• Woodhead Sdn Bhd	Shareholder	-
	• Daya Sahabat Sdn Bhd	Shareholder	-
	• Usaha Kesuma Sdn Bhd	Shareholder	-
	• Danawa Online Sdn Bhd	Shareholder	-
	• Kolek Engineering Services Sdn Bhd	Shareholder	-
	• WHS Properties Sdn Bhd	Shareholder	-
	• Ekuojaya Sdn Bhd	Shareholder	-
	• Jamka Sdn Bhd	Shareholder	-
	• Total Amity Sdn Bhd	Shareholder	-
	• WHS Project Management Sdn Bhd ⁴	Shareholder	-
	• Bullion Consolidated Sdn Bhd ⁴	Shareholder	-
	• Usaha Jasamaju Sdn Bhd	Shareholder	-
	• Indah Marak (MM2H) Sdn Bhd	Shareholder	-
	• Bintulu Sago Industries Sdn Bhd	Shareholder	-
	• Perkapalan Damai Timur Sdn Bhd	Shareholder	-
	• Tarawera Sdn Bhd	Shareholder	-
	• Genting Bahagia Sdn Bhd	Shareholder	-
	• Quality Concrete Holdings Berhad	Shareholder	-
	• Istara Sdn Bhd	Shareholder	-
	• Gasijaya Sdn Bhd	Shareholder	-
	• Sinar Pegun Sdn Bhd	Shareholder	-
	• Cahaya Upaya Sdn Bhd	Shareholder	-
	• Tabuan Laru Specialist Centre Sdn Bhd	Shareholder	-
	• Kemena Forest Development Sdn Bhd	Shareholder	-
	• SMI Holdings Sdn Bhd	Shareholder	-
	• Suloh Management Sdn Bhd	Shareholder	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company*	Involvement in Business Activities other than as a director**	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi (Cont'd)	• Damai Satu Sdn Bhd	Shareholder	-
	• Prudent Action Sdn Bhd	Shareholder	-
	• Permy Development Sdn Bhd (formerly known as Naim Cendera Tiga Sdn Bhd)	Shareholder	-
	• Institute of Traditional Medicine Sdn Bhd	Shareholder	-
	• Shinesar Forest Sdn Bhd	Shareholder	-
	• CL Aero Sdn Bhd	Shareholder	-
	• United Barge & Transport Co. Sdn Bhd	Shareholder	-
	• People's Mirror Sdn Bhd	Shareholder	-
	• Penesajaya Sdn Bhd	Shareholder	-
	• Rems Real Estate Management Services Sdn Bhd	Shareholder	-
	• Tabuan Laru Sdn Bhd	Shareholder	-
	• Hill and Country Sdn Bhd	Shareholder	-
	• Jumbo Daya Sdn Bhd	Shareholder	-
	• Sarsin Development Sdn Bhd	Shareholder	-
	• Sayfond Sdn Bhd	Shareholder	-
	• Country Enterprise Sdn Bhd	Shareholder	-
	• Kumpulan Satara Sdn Bhd	Shareholder	-
	• System Consolidated Sdn Bhd	Shareholder	-
	• Sustainable Forest Resource Development Sdn Bhd	Shareholder	-
	• Luak Bay Properties Sdn Bhd	Shareholder	-
	• Danawa Education Sdn Bhd	Shareholder	-
	• Embaru Resources Sdn Bhd	Shareholder	-
	• Central Resources Sdn Bhd	Shareholder	-
	• Benderang Miri Sdn Bhd	Shareholder	-
	• Benarat Resort Sdn Bhd	Shareholder	-
	• Mawar Education Centre Sdn Bhd	Shareholder	-
	• Boulevard Enterprise Sdn Bhd	Shareholder	-
	• Kedanga Sdn Bhd	Shareholder	-
	• Crest Bumimas Sdn Bhd	Shareholder	-
	• Dayang Enterprise Holdings Berhad (listed on Main Market of Bursa Malaysia Securities Berhad)	Shareholder	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Name	Company *	Involvement in Business Activities other than as a director **	Date of Appointment / (Resignation) of Directorship
Datuk Abdul Hamed bin Sepawi <i>Cont</i>	• Danawa Desa Networks Sdn Bhd	Shareholder	-
	• Gesaja Sdn Bhd ³	Shareholder	-
	• Nature & Enviro Engineering Consultants Sdn Bhd ³	Shareholder	-
	• Eminentlink Sdn Bhd ³	Shareholder	-
	• Oceano Sdn Bhd ³	Shareholder	-
	• Intan Communications Sdn Bhd	Shareholder	-
	• Custodev Sdn Bhd	Shareholder	-

Past Directorships:-

• Batili Sdn Bhd	-	13.06.2005 (26.11.2010)
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Notes:-

* The list does not include companies and businesses that have been dissolved, deregistered, struck-off and winding-up.

** Includes direct and indirect shareholding status.

(1) Executive directorship in the public listed company.

(2) Non-Executive directorship in the public listed company.

(3) In the midst of deregistration process pursuant to Section 308 of the Act.

(4) In the midst of striking off process pursuant to Section 308 of the Act.

(c) Independent Non Executive Directors of our Company

Name	Directorships *	Involvement in Business Activities Other Than As A Director **	Date of Appointment / (Resignation) of Directorship
Dato' Seri Chia Kwang Chye	Present Directorships:-		
	• Asia Media Growth Berhad	Shareholder	05.11.2009
	• Technology Park Sdn Bhd	Shareholder	26.04.1991
	• Eko Milan Sdn Bhd	Shareholder	09.02.2011
	Companies which he is not a director but has shareholdings		
	• Omnimas Development Sdn Bhd	Shareholder	-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Directorships *	Involvement in Business Activities Other Than As A Director **	Date of Appointment / (Resignation) of Directorship
Lim Boh Soon	Present Directorships:		
	• CSE Global Ltd ¹	Shareholder	22.01.1999
	• Arise Asset Management Pte Ltd	Shareholder	17.01.2001
	• Auric Pacific Group Limited ¹	Shareholder	23.02.2006
	• Across Asia Limited (Cayman Islands) ¹	-	02.05.2006
	• SPGG Holdings Pte Ltd	Shareholder	25.11.2002
	• Ferrell International Ltd	Shareholder	04.10.2010
	Past Directorships:		
	• Microtec Private Limited	-	13.10.2003 / (03.01.2007)
	• Franklin Templeton Capital Holdings Private Limited	-	11.08.2004 / (31.03.2007)
	• Kuwait Finance House (Singapore) Pte Ltd	-	06.11.2007 / (23.11.2009)
	• Bright Eyes Asian Holding Pte Ltd	-	16.12.2005 / (24.03.2008)
	• Bright Eyes Asian Properties Pte Ltd	-	16.12.2005 / (24.03.2008)
	• Bright Eyes Asian Technologies Pte Ltd	-	16.12.2005 / (24.03.2008)
	• SCW Asian Holding Pte Ltd	-	16.12.2005 / (24.03.2008)
	• Bowsprit Capital Corporation Limited	-	17.05.2006 / (15.06.2006)
	Companies which he is not a director but has shareholdings		
• Cyber Matrix Group Pte Ltd	Shareholder	-	
Dato' Ngiam Foon	Present Directorships:		
	• PST Travel Services Sdn. Bhd	-	27.08.2004
	• Asia Experience Sdn Bhd	Shareholder	13.03.2007
	• Orange Car Sdn Bhd	Shareholder	04.02.2010
	Past Directorships:		
	• Matta School of Tourism Sdn. Bhd.	-	12.11.2003 / (25.01.2010)
	• Abacus Distribution Systems (Malaysia) Sdn. Bhd.	-	19.07.2005 / (26.04.2010)
	• Matta Assets Sdn. Bhd.	-	07.05.2004 / (25.01.2010)
	• Matta Properties Sdn. Bhd	-	02.09.2008 / (25.01.2010)

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Name	Directorships*	Involvement in Business Activities Other Than As A Director**	Date of Appointment / (Resignation) of Directorship
Dato' Ngiam Foon (<i>Cont'd</i>)	• Travel Computer Reservation Systems Berhad	-	15.07.2005 / (12.02.2010)
	• Micem Sdn Bhd	-	03.05.2006 / (25.01.2010)
	• Aseanta Incorporated Sdn Bhd	-	05.12.2007 / (25.01.2011)

Notes:-

* *The list does not include companies and businesses that have been dissolved, deregistered, struck-off and winding-up.*

** *Includes direct and indirect shareholding status.*

(1) *Non-Executive directorship in the public listed company.*

Save as disclosed above and reflectively in Section 11.2 of this Prospectus, as at the LPD, none of our Directors have any interest, direct or indirect, in any other businesses and corporations, carrying on a similar trade as that of our Group and/or which are customers or suppliers of the Group.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2.6 Service Contract with Directors

Save for their usual employment letters with our Group and as disclosed below, none of our Directors or Directors of our subsidiary companies have any existing or proposed service agreements with our Group:-

- (i) We have entered into a service agreement on 9 November 2010 with our Executive Director, Lim Peng Keong, under which he has agreed to perform the services and duties consistent with those generally applicable to a person bearing the title of Executive Director.

The appointment has commenced on 9 November 2010 and shall continue for a period of three (3) years from 9 November 2010. After the end of the three (3) years, unless either party notifies the other in writing at least six (6) months prior to the last day of the existing period, the service agreement shall automatically be renewed for a further period of three (3) years on the same terms and conditions provided in the service agreement. The appointment of Lim Peng Keong may be terminated by the Company or vice versa by way of six (6) months' notice in writing of such intended termination or in lieu of the said six (6) months' notice, an amount equivalent to six (6) months' salary based on the last drawn monthly salary. Provisions in the agreement include those to protect our confidential information and intellectual property rights as well as non-competition and non-conflict provisions.

- (ii) We have entered into a service agreement on 9 November 2010 with our Executive Director, Choong Huck Liang under which he has agreed to perform the services and duties consistent with those generally applicable to a person bearing the title of Executive Director.

The appointment has commenced on 9 November 2010 and shall continue for a period of three (3) years from 9 November 2010. After the end of the three (3) years, unless either party notifies the other in writing at least six (6) months prior to the last day of the existing period, the service agreement shall automatically be renewed for a further period of three (3) years on the same terms and conditions provided in the service agreement. The appointment of Choong Huck Liang may be terminated by the Company or vice versa by way of six (6) months' notice in writing of such intended termination or in lieu of the said six (6) months' notice, an amount equivalent to six (6) months' salary based on the last drawn monthly salary. Provisions in the agreement include those to protect our confidential information and intellectual property rights as well as non-competition and non-conflict provisions.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.3 AUDIT, NOMINATING AND REMUNERATION COMMITTEES

9.3.1 Audit Committee

Our Audit Committee was established on 20 September 2010. Members of our Audit Committee are as follows:

Name	Designation	Directorship
Dato' Ngiam Foon	Chairman	Independent Non-Executive Director
Dato' Seri Chia Kwang Chye	Member	Independent Non-Executive Director
Lim Boh Soon	Member	Independent Non-Executive Director

The major terms of reference for our Audit Committee include reviewing the financial statements of our Group before submission to our Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by our external auditors. In addition, our Audit Committee reviews and evaluates our Group's internal audit and control functions. Our Audit Committee is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests.

Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties. In dispensing their judgment and actions, our Audit Committee has explicit right and at the expense of the Company to have unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and the Group.

The Board of Directors of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

9.3.2 Nominating Committee

Our Nominating Committee was established on 20 September 2010. Members of our Nominating Committee are as follows:

Name	Designation	Directorship
Lim Boh Soon	Chairman	Independent Non-Executive Director
Dato' Ngiam Foon	Member	Independent Non-Executive Director
Dato' Seri Chia Kwang Chye	Member	Independent Non-Executive Director
Datuk Abdul Hamed bin Sepawi	Member	Non-Independent Non-Executive Chairman

Our Nominating Committee is responsible for identifying and recommending new nominees to our Board with regards to any appointment of Directors considering their skills, knowledge, expertise and experience; professionalism, integrity, and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/functions as expected. The Nominating Committee also assists the Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board as well.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The Nominating Committee will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director annually based on the process and procedures laid out by the Board.

In developing such recommendations, our Nominating Committee will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nominating Committee.

9.3.3 Remuneration Committee

Our Remuneration Committee was established on 20 September 2010. Members of our Remuneration Committee are as follows:

Name	Designation	Directorship
Dato' Seri Chia Kwang Chye	Chairman	Independent Non-Executive Director
Lim Boh Soon	Member	Independent Non-Executive Director
Dato' Ngiam Foon	Member	Independent Non-Executive Director
Datuk Abdul Hamed bin Sepawi	Member	Non-Independent Non-Executive Chairman

Our Remuneration Committee reviews and proposes, subject to the approval of our Board, the remuneration policy and terms and conditions of service of each Director for his services as a member of our Board as well as Committees of our Board and for our key management employees. Nevertheless, the remuneration of the non-executive Directors is a matter for our Board as a whole and our Directors are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group.

Decisions and recommendations of our Remuneration Committee shall be reported back to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

9.3.4 Articles governing our Directors

The relevant articles relating to remuneration, voting powers and borrowing powers of our Directors, as reproduced from our Articles of Associations, are as follows. The words and expressions appearing in the following provisions shall bear the same meaning used in the articles unless they are otherwise defined here or the context otherwise requires:

(a) Remunerations of Directors

The provisions in the Articles dealing with the remuneration of our Directors are as follows:

Article 97 The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine. PROVIDED ALWAYS that:-

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (a) *fee payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.*
- (b) *salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover.*
- (c) *fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.*
- (d) *any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

(b) Voting and borrowing powers of Directors

The provisions in the Articles dealing with the voting and borrowing powers of the Directors of the Company including voting powers in relation to proposals, arrangements or contracts in which they are interested are as follows:

Article 100 The business of the Company shall be managed by Directors who may pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not by these Articles or by the Act required to be exercised by the Company in general meeting, subject nevertheless, to any of these Articles, to the provisions of the Act, and to such resolutions, not being inconsistent with these Articles or the provisions of the Act as may be prescribed by the Company in general meeting but no resolution made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made.

Article 101 The Directors shall not without the prior approval of the Company in general meeting:-

- (a) *Carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's main undertaking or property;*
- (b) *exercise any power of the Company to issue shares unless otherwise permitted under the Act;*
- (c) *subject to sections 132E and 132F of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person, any non-cash assets of the requisite value.*

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- Article 102 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company or associate company or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements.*
- Article 103 The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.*
- Article 121 Subject to these Articles, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. The Chairman of the meeting shall however not have a second or casting vote where at the meeting only two (2) Directors form the quorum and only such a quorum is present at the meeting or where only two (2) Directors are competent to vote on the question at issue.*
- Article 122 The remaining Directors may continue to act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles as the necessary quorum of Directors, the remaining Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company.*
- Article 123 Every Director shall comply with the provisions of Sections 131 and 135 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director.*
- Article 124 A Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Section 131 of the Act.*
- Article 125 A Director shall not vote on the contract or proposed contract or arrangement in which he has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).*
- Article 126 A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat any decision is taken upon any contract or proposed contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 131 and all other relevant provisions of the Act and these Articles.*

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Article 127 A Director may vote in respect of:-

- (a) any arrangement for giving the Director himself or any other Directors any security or indemnity or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

9.4 KEY MANAGEMENT

9.4.1 Key Management's Shareholdings

Save as shown below, none of our key management hold any direct or indirect shareholdings in the Company as at the LPD and after the Public Issue as follows:-

Name	As at LPD (before Public Issue)				After the Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares held	% held	No. of Shares held	% held	No. of Shares held	% held	No. of Shares held	% held
Lim Peng Keong	26,520,000	15.60	11,050,000	* 6.50	26,520,000	11.68	11,050,000	* 4.87
Choong Huck Liang	25,330,000	14.90	-	-	25,330,000	11.16	-	-
Hng Phaik Leng @ Heng Phaik Leng	-	-	-	-	³ 100,000	0.04	-	-
Tan Win Sen	-	-	¹ 7,905,000	4.65	³ 100,000	0.04	² 7,905,000	3.48
Ho Ee Lock	-	-	-	-	³ 32,000	0.01	-	-

Notes:-

- (1) Deemed interest pursuant to Section 6A of the Act by virtue of his shareholding in Software Product Developers Sdn Bhd which holds 4.65% of Smartag Solutions as at LPD.
- (2) Deemed interest pursuant to Section 6A of the Act by virtue of his shareholding in Software Product Developers Sdn Bhd which holds 3.48% of Smartag Solutions after the Public Issue.
- (3) Pursuant to allocation of the Issue Shares to the eligible Directors, employees and/or persons who have contributed to the success of our Group.
- * Jinjuta Krongjaiboon is the spouse of Lim Peng Keong, a director of the Company. Jinjuta's indirect shareholdings in the Company via Namnan Co. Ltd is disclosed as the indirect shareholdings of Lim Peng Keong in the Company in compliance with the statutory requirements of Section 134(12)(c) of the Act. However, based on Section 6A(4) of the Act, Lim Peng Keong is not a person deemed to have interest in the shares of the Company held by Namnan Co. Ltd (and indirectly Jinjuta) as both Lim Peng Keong and Jinjuta exercise independent control over their respective shareholdings in the Company.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

9.4.2 Profiles

The profiles of our key management employees appointed are as follows:

Lim Peng Keong, Malaysian, aged 32
Chief Executive Officer

Choong Huck Liang, Malaysian, aged 39
Chief Technical and Operating Officer

For the profiles above, please refer to Section 9.1.2 of this Prospectus.

Hng Phaik Leng @ Heng Phaik Leng, Malaysian, aged 34
Financial Controller

Hng Phaik Leng @ Heng Phaik Leng is our financial controller and is responsible for the preparation of accounts for reporting purposes and budget management of the Group. She holds a Bachelor of Commerce degree in Accounting and Finance from Monash University. She is a member of the Certified Practising Accountants Australia and a member of Malaysian Institute of Accountants.

Ms. Heng started her career with Deloitte KassimChan in 1999 performing audit risk reviews and later was exposed to the corporate advisory field when she joined a local merchant bank in 2001. She later joined several companies in the hospitality, property development and ICT industries where she progressively expanded her accounting and financial roles and was responsible for budgeting, cost controls as well as cash flow analysis. Her previous engagement with different ICT companies provided her with an understanding of the nature of ICT businesses before joining our Group in December 2009.

Tan Win Sen, Malaysian, aged 27
R&D and Technical Manager

Tan Win Sen is our R&D and Technical Manager and aids our CTOO in the areas of software development and project implementations of the Group. Mr. Tan holds a Degree in Information System (Hons), Information System Engineering from Tunku Abdul Rahman University and a Diploma in Science, Information System Engineering from Tunku Abdul Rahman College. Presently, he manages the team of engineers and programmers to develop and implement new products and solutions.

Mr. Tan was first attached to Penang Network Technologies Sdn Bhd in 2005 as a system support specialist, specialising in networks, systems and database administration. Later in 2006, he joined OCE for three (3) years as the operations manager. He was responsible for managing the fibre optics metro-ethernet in the PenangFON roll-out in the state of Penang and focused on R&D in relations to open source network software components. He also supervised the design of the network, deployment and improving network performance. He joined our Group in May 2009.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

Ho Ee Lock, Malaysian, aged 30 Technology and Business Development Director

Ho Ee Lock is our Technology and Business Development Director and aids our CTOO in the business development of the Group from a technological perspective as well as being involved in project implementation. He holds a PhD in Computer Networks from InterAmerican University and a Bachelor of Engineering in Electronics (Honours) Majoring in Computer from the Multimedia University. Currently, he is leading the technical strategies in developing and implementing new solutions using RFID technology.

Mr. Ho began his career in 2003 with NTT MSC Sdn Bhd, a subsidiary to one of the biggest telecommunication company in Japan, NTT Communications Corporation. During his service in NTT MSC Sdn Bhd, he was involved in the technical implementation and coordination of a few large-scale projects involving IT business process outsourcing and consolidation exercises for Malaysian Airlines Berhad, BMW Group (Asia Pacific), and Prudential Asia Pacific. In 2005, he joined OCE as the Chief Technology Officer where he successfully designed a fully ethernet-based metro-area-network under the PenangFON roll-out in the state of Penang using fibre optic cables and deploying broadband services. He joined our Group in December 2007.

9.4.3 Service Contract with Key Management

Save as disclosed in Section 9.2.6, none of our key management has any existing or proposed service agreement with our Group as at the LPD.

9.4.4 Involvement of Key Management, Key Technical Personnel and Key Technical Advisers in Other Businesses or Corporations

Save as disclosed below and in Section 9.2.5 of this Prospectus, none of our key management, key technical personnel and key technical advisers are involved in other businesses/corporations as at the LPD:-

Name	Name of Company	Date Appointed/ (Resigned) as Director	Involvement in Business Activities Other Than As a Director	Principal Activities
Key Management Tan Win Sen	Software Product Developers Sdn Bhd	10.08.2007	Shareholder	Software product developers, computer and software consultancy, investment holdings
	My Sunshine Enterprise	-	Partner	No activities
Ho Ee Lock	Doxa Consulting	-	Owner	Consulting services

Tan Win Sen and Ho Ee Lock are not involved in the day-to-day activities and operations of the abovementioned businesses and accordingly their directorships, ownership and shareholdings in the abovementioned businesses do not affect their contributions to our Group or negatively impact their ability to act as the key management personnel of our Group.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

9.5 DECLARATIONS BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES

Based on the declarations by our Promoters, Directors and key management, none of the Promoters, Directors and key management are or have been involved in any of the following events (whether in or outside Malaysia):-

- (i) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) Disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the managing of a corporation;
- (iii) Charged and/or conviction in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) Any judgement entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) The subject of any order, judgment or ruling of any court of a competent jurisdiction, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

9.6 RELATIONSHIPS AND ASSOCIATIONS

Lim Peng Keong is the spouse to Jinjuta Krongjaiboon who is a major shareholder of Namnan Co. Ltd, a substantial shareholder of the Company.

Save for the above, there are no family relationships (as defined under Section 122A of the Act) or associations amongst our Promoters, Directors, substantial shareholders and key management.

9.7 BENEFITS PAID OR INTENDED TO BE PAID OR GIVEN TO ANY PROMOTER, DIRECTOR, OR SUBSTANTIAL SHAREHOLDER

Besides benefits paid or intended to be paid for the periods as disclosed in Section 9.2.3 in this Prospectus, there is no other amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders, within the two (2) years preceding the date of this Prospectus.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

9.8 INFORMATION ON EMPLOYEES, TRAINING AND SUCCESSION PLANS

9.8.1 Our Employment Structure

As at the LPD, a total of 16 persons are currently employed in our Group, including our Executive Directors (but excluding our Non-Independent Non-Executive Chairman, Datuk Abdul Hamed bin Sepawi), namely Lim Peng Keong and Choong Huck Liang which is adequate for our day-to-day operations. The following table outlines our Group's employee structure as at FYE 30 September 2008, 2009 and 2010 respectively:-

Category	Number of Employees as at FYE 30 September		
	2008	2009	2010
Executive Directors *	2	3	2
Admin, finance and Human Resource	-	1	2
Technical Team **	-	5	10
Sales & Marketing	1	1	1
Total	3	10	15

Notes:-

* As at the LPD, we have two (2) executive directors Lim Peng Keong and Choong Huck Liang only.

** The Technical Team department excludes Mr. Choong Huck Liang.

As at LPD, our Group's employees are not unionised. The relationship between the management and the employees has been good and is expected to continue to be such in future. There have not been any past incidents of work stoppage or labour disputes, which affected our operations.

As at the LPD, all employees are permanent and there are no contractual or temporary employees in our Group. All of the Group's employees are stationed in Malaysia in terms of work location. There have been no labour or industrial disputes between our employees and our management which could have a material adverse financial impact on our Group. The number of full-time staff that we employ is not subject to any significant seasonal fluctuation.

The increase in the number of employees over the FYE 30 September 2008, 2009 and 2010 was in tandem with the growth of our Group.

The management does not expect to substantially increase the overall salaries of existing staff beyond the rate of which is determined by the Company's internal performance assessments. Any increase in remuneration would be dependent on the internal standards of evaluation of the Company, performance of the staff, market rate with respect to salaries for personnel in equal position and other factors.

9.8.2 Training and Development

Our Group believes in the long term development of knowledge and skill among our employees as a means to motivate and retain our workforce and to ensure the continuous success of the Group. Hence, the Group provides on-the-job training and internal briefings and updates on latest technology and R&D direction.

9.8.3 Management Succession Plan

We made efforts to train and remunerate our staff accordingly as we are aware that the continued success of our Group depends on our ability to retain our staff and develop their skills. Our Group's future success will also depend upon our ability to attract and retain skilled personnel.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

Our Group also has a management succession plan consisting of:

- (i) Competitive remuneration and employee benefits including structured career planning and development; and
- (ii) Continuous training and education.

As part of our management succession plan, we have also identified middle management personnel to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure smooth running and continuity of the operations of our Group. If the need arises, we intend to recruit additional qualified personnel with knowledge and expertise of the business. We recognise that the process of retaining and grooming our key management to lead and helm key positions and bigger roles is a long term process. The Group will continuously invest in education and encourage a knowledge-based culture as part of our management succession plan.

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10. APPROVALS AND CONDITIONS

10.1 CONDITIONS ON APPROVALS

Pursuant to the Listing, the Bursa Securities had given their approval on 24 February 2011 subject to conditions as set out below:-

<u>Conditions</u>	<u>Status of Compliance</u>
(1) Submission of the following information in respect to the moratorium on the shareholdings of promoters to the Bursa Depository:-	
(i) Name of shareholders;	Complied
(ii) Number of shares; and	Complied
(iii) Date of expiry of the moratorium for each block of shares.	Complied
(2) Approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
(3) Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied prior to Listing
(4) Furnish the Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid-up share capital of Smartag on the first day of Listing;	To be complied on the first day of Listing
(5) Any directors of the Company that have not attended the Mandatory Accreditation Programme, must do so prior to listing of the Company;	To be complied
(6) Smartag to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Admission is completed; and	To be complied
(7) Continuous compliance to Rule 2.05 of the Listing Requirements.	Complied

Pursuant to the Listing, as the approval of the SC (under the equity requirement for public companies) was obtained via a letter dated 14 January 2011, Smartag is required to notify the SC upon completion of the Listing.

<u>Conditions</u>	<u>Status of Compliance</u>
(1) To notify the SC upon completion of the Listing.	To be complied

WAIVER / VARIATION OF COMPLIANCE

With respect to condition five (5) of the Bursa Securities' approval on 24 February 2011 shown above, where for any directors of the Company that have not attended the Mandatory Accreditation Programme, must do so prior to listing of the Company, Bursa Securities had on 18 March 2011 via a letter granted an extension until 21 April 2011 to comply with the said condition.

10. APPROVALS AND CONDITIONS (Cont'd)**10.2 MORATORIUM ON THE SALE OF SHARES**

In compliance with the Listing Requirements, moratorium will be imposed on the sale, transfer or assignment of shares held by promoters of an applicant as follows:

- (a) The moratorium applies to the entire shareholdings of the Promoters of an applicant for a period of six (6) months from the date of admission to the Exchange;
- (b) Upon the expiry of the six (6) month period stated above, the listed corporation must ensure that the Promoters' aggregate shareholdings amounting to at least 45% of the nominal issued and paid-up ordinary share capital of the listed corporation remain under moratorium, for another period of 6 months; and
- (c) Thereafter, the promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the shares held under moratorium;

The details of Shares subjected to moratorium are as follows:-

Name	Shares held under moratorium for the first six (6) months upon Listing		Shares held under moratorium for the subsequent six (6) months	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Promoters				
Datuk Abdul Hamed bin Sepawi	51,000,000	22.47	50,653,000	22.32
Lim Peng Keong	26,520,000	11.68	26,340,000	11.60
Choong Huck Liang	25,330,000	11.16	25,158,000	11.08
	102,850,000	45.31	102,151,000	45.00
Other Parties				
Online Entertainment Sdn Bhd	19,975,000	8.80	19,840,000	8.74
Kibaran Hasrat Sdn Bhd	8,500,000	3.74	8,443,000	3.72
	28,475,000	12.54	28,283,000	12.46
TOTAL	131,325,000	57.85	130,434,000	57.46

Note:-

(1) Based on the enlarged issued and paid-up share capital of 227,000,000 Shares after the IPO.

The restriction which is fully acknowledged by the aforesaid shareholders is specifically endorsed on our share certificates representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that our Share Registrar will not register any transfer not in compliance with the aforesaid restriction. In compliance with the restrictions, Bursa Depository will, on our Registrars' instructions in the prescribed forms, ensure that trading of these Shares are not permitted during the moratorium period.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 HISTORICAL AND PROPOSED RELATED-PARTY TRANSACTIONS

11.1.1 RECURRENT RELATED PARTY TRANSACTIONS

Our Group, in the ordinary course of business, may enter into transactions that are of revenue or trading in nature with related parties ("Recurrent Transactions"), which are necessary for our day-to-day operations. Our Directors confirm that such Recurrent Transactions are carried out and will be carried out (if any) on an arm's length basis and/or are not prejudicial to the Group nor on commercial terms which are more favourable to the related parties than those generally available to third parties and which will not be detrimental to our Group.

Under Chapter 10 of the Listing Requirement, a listed company may seek a shareholders' mandate for recurrent transactions of revenue or trading nature or those necessary for its day to day operations such as supplies and materials, which may be carried out with the listed company's interested persons.

Transactions, which do not fall within the ambit of the shareholders' mandate, shall be subject to the relevant provisions of the Listing Requirement.

Save as disclosed below, there have been no historical or presently proposed recurrent related party transactions involving our Company or our Group with related parties for the financial years and periods set out below:-

Nature of transaction	Related party	Nature of Relationship	<--- Proforma ---> <--- FYE 30 September ---> 2008 2009 2010 2011 RM'000 RM'000 RM'000 RM'000	Audited	Proposed
Smartag Technologies secured the project to implement RFID library solutions for the Perbadanan Perpustakaan Awam Negeri Pulau Pinang. This implementation aspect of the project was fully outsourced to Smartag Solutions. The procurement of the project by Smartag Technologies which was subsequently outsourced to Smartag Solutions transpired before the acquisition of Smartag Technologies by Smartag Solutions on 24 March 2008. The transaction was on commercial terms not more favourable to the related parties than those normally agreed with other customers and is also not to the detriment of the Group.	Lim Peng Keong	Lim Peng Keong was a director and major shareholder in both Smartag Solutions and Smartag Technologies.	1,175	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Nature of transaction	Related party	Nature of Relationship	2005 RM'000	2009 FYE 30 September RM'000	Audited 2010 RM'000	Proposed FYE 30 Sept 2011 RM'000
<p>Danawa employed the services of Smartag Solutions for the set-up and commissioning of an RFID asset tracking and logistics systems.</p> <p>Datuk Abdul Hamed bin Sepawi had become a major shareholder of our Company before the transaction between our Group and Danawa.</p> <p>The transaction was on commercial terms not more favourable to the related parties than those normally agreed with other customers and is also not to the detriment of the Group.</p>	Datuk Abdul Hamed bin Sepawi	Datuk Abdul Hamed bin Sepawi is a director and major shareholder in both Danawa and Smartag Solutions.	2,195	-	-	-
<p>Sales of hardware to Mitzmara Sdn Bhd.</p> <p>The transaction was on commercial terms not more favourable to the related parties than those normally agreed with other customers and is also not to the detriment of the Group.</p>	Datuk Abdul Hamed bin Sepawi	Datuk Abdul Hamed bin Sepawi is a director and a major shareholder and a director in both Mitzmara Sdn Bhd and Smartag Solutions.	-	-	131	-
<p>Purchase of telecommunication equipment from Danawa to be set up as part of our RFID system at Johor Port.</p> <p>The purchase of telecommunication equipment from Danawa was transacted on an arm's length basis and was on commercial terms not more favourable to the related parties than those normally agreed with other suppliers and is also not to the detriment of the Group.</p>	Datuk Abdul Hamed bin Sepawi	Datuk Abdul Hamed bin Sepawi is a director major shareholder in both Danawa and Smartag Solutions.	-	-	3,047	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Moving forward, our Directors do not foresee any recurrent related party transactions as all the transactions above are contract based and had been completed. In the event there are any Recurrent Transactions subsequent to the Listing, our Group and our Board will seek the necessary approvals as set out in the Listing Requirements.

Our Directors, through our Audit Committee will ensure that any related party transactions (recurrent inclusive, if any) are carried out on an arm's length basis and / or are not prejudicial to the Group nor on commercial terms more favourable to the related parties than those normally agreed with other customers/ suppliers and are also not to our detriment and to the detriment of the Group.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

11.1.2 NON-RECURRENT RELATED PARTY TRANSACTIONS

Save as disclosed below, there have been no existing or presently proposed related party transactions involving our Company or our Group with related parties for the Review Periods.

Nature of transaction	Related party	Nature of Relationship	<--- (Proforma) ---> <--- FYE:30 September 2008 --->	<--- FYE:30 September 2009 --->	<--- FYE:30 September 2010 --->	<--- FYE:30 Sept 2011 --->
			RM'000	RM'000	RM'000	RM'000
Acquisition by Smartag Solutions of 50,028 shares in Smartag Technologies from Lim Peng Keong. The transaction was on an arm's length basis as the shares in Smartag Technologies were fully acquired at par value of RM1.00 each.	Lim Peng Keong	Lim Peng Keong was a major shareholder in both Smartag Solutions and Smartag Technologies.	50	-	-	-

Moving forward, our Directors do not foresee any recurrent related party transactions as all the transactions above are contract based and had been completed. In the event there are any Recurrent Transactions subsequent to the Listing, our Group and our Board will seek the necessary approvals as set out in the Listing Requirements.

Our Directors, through our Audit Committee will ensure that any related party transactions (recurrent inclusive, if any) are carried out on an arm's length basis and / or are not prejudicial to the Group nor on commercial terms more favourable to the related parties than those normally agreed with other customers/ suppliers and are also not to our detriment and to the detriment of the Group.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

11.2 INTERESTS IN SIMILAR BUSINESSES, INTEREST IN THE BUSINESS OF OUR CUSTOMERS AND SUPPLIERS AND OTHER CONFLICT OF INTERESTS

Save as disclosed in Section 9.2.5 of this Prospectus and as reflectively shown below, as at the LPD, none of our Directors and/or substantial shareholders have any interest, direct or indirect, in any other businesses and corporations, carrying on a similar trade as that of our Group and/or which are customers or suppliers of the Group:-

Name of Interested persons	Name of Company	Principal Activities	Mitigating factor	Date Appointed/ (Resigned) as Director	Shareholdings		% held
					Direct	Indirect	
					No. of shares held	No. of shares held	
Datuk Abdul Hamed bin Sepawi	Danawa Resources Sdn Bhd	Development and distribution of wireless networking, broadband services and related contracting works, supply and sale of computer hardware and provision of ICT educational services	The RFID project secured from Danawa was undertaken on commercial terms not more favourable to the related parties than those normally agreed with other customers and is also not to our detriment and to the detriment of the Group. The purchase of tele-communication equipment from Danawa was transacted on an arm's length basis. We do not foresee any further transactions between our Company and Danawa. However, should there arise any need for such transactions in the future, our Company will seek the shareholders' mandate under Chapter 10 of the Listing Requirement.	12.04.2005	24,999,999	99.99	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Name of Interested persons	Name of Company	Principal Activities	Mitigating factor	Date Appointed (Resigned) as Director	Shareholdings			
					Direct	Indirect		
					No of shares held	% held	No of shares held	% held
Datuk Abdul Hamed bin Sepawi	Mitzmara Sdn Bhd	Supply and sale of computer hardware and software, providing internet services and project consultancy, providing broadband access and wireless internet access services	Moving forward, our Audit Committee will be tasked to monitor and to review any transactions brought to their attention which could potentially be a related-party transaction in nature. Furthermore, there is no conflict of interest in terms of business similarities as Danawa operates in the telecommunication industry while our Company specialises in the business of providing RFID-based products and solutions.	13.06.2005	-	-	1 60,000	1 60.00

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Name of Interested persons	Name of Company	Principal Activities	Mitigating factor	Date Appointed/ (Resigned) as Director	Shareholdings			
					Direct	Indirect	No. of shares held	% held
			<p>Moving forward, our Audit Committee will be tasked to monitor and to review any transactions brought to their attention which could potentially be a related-party transaction in nature.</p> <p>Furthermore, there is no conflict of interest in terms of business similarities as Mitzmara Sdn Bhd operates in the telecommunications industry while our Company specialises in the business of providing RFID-based products and solutions.</p>					

Note:-

(1) Mitzmara Sdn Bhd is a subsidiary of Danawa and as such Datuk Abdul Hamed bin Sepawi is deemed interested in Mitzmara Sdn Bhd by virtue of his shareholdings in Danawa.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

11.3 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the past three (3) FYE 30 September 2008 to 30 September 2010 and the period up to the LPD.

11.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

There are no outstanding loans, including guarantees of any kind, made by the Group to or for the benefit of related parties during the past three (3) FYE 30 September 2008 to 30 September 2010 and the period up to the LPD.

11.5 DECLARATION BY EXPERTS

KIBB confirms that there is no existing or potential conflict of interests in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for the Listing.

Baker Tilly Monteiro Heng confirms that there is no existing or potential conflict of interests in its capacity as the Auditor and Reporting Accountants for the Listing.

Cheang & Ariff confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors for the Listing.

Law Offices of Eric Stoppenhagen confirms that there is no existing or potential conflict of interests in its capacity as the legal adviser to our Company on laws and regulations of the USA.

Morison AAC Advisory Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as the internal control consultants for the Listing.

Frost & Sullivan Malaysia Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as the independent market research consultant for the Listing.

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12. DIRECTORS' REPORT



Date: 15 MAR 2011

Smartag Solutions Berhad
Suite 2-1, 2nd Floor Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

The Shareholders of Smartag Solutions Berhad

Dear Sir/ Madam,

On behalf of the Board of Directors of Smartag Solutions Berhad ("**Smartag Solutions**"), I report after due enquiry by the Board of Directors of Smartag Solutions, that during the period from 30 September 2010 (being the date to which the last audited financial statements of Smartag Solutions, its subsidiary companies and its jointly-owned entity ("**Group**") has been made up) to the date of this letter (being the date not earlier than fourteen (14) days before the issuance of this Prospectus), that:-

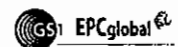
- (a) the business of our Group have, in the opinion of our Directors, been satisfactorily maintained;
- (b) in the opinion of our Directors, no circumstances have arisen subsequent to the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;
- (e) since 30 September 2010, being the last audited financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group, which the Directors are aware of; and
- (f) since 30 September 2010, being the last audited financial statements of the Group, there have been no changes in the published reserves nor any unusual factors affecting the profits of our Group.

Yours faithfully,
For and on behalf of the Board of Directors of
Smartag Solutions Berhad

A handwritten signature in black ink, appearing to be "LIM PENG KEONG", written over a horizontal line.

LIM PENG KEONG
Executive Director and Chief Executive Officer

SMARTAG SOLUTIONS BHD (639421-x) | www.smartag.my
R&D Center and Administrative Office: 368-A-1, Belisa How, Jalan Burma, 10050 Penang, Malaysia. | Tel +604 227 5013 Fax +604 226 3501
Corporate Sales and MSC Office: Level 30, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. | Tel +603 7729 9186



13. ACCOUNTANTS' REPORT



**BAKER TILLY
MONTEIRO HENG**

Chartered Accountants (AF 0117)

Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : audit@monteiroheng.com.my
www.monteiroheng.com.my

9 March 2011

The Board of Directors
Smartag Solutions Berhad
Suite 2-1, 2nd Floor Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang

Dear Sirs,

**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by Baker Tilly Monteiro Heng, an approved company auditor, for inclusion in the Prospectus of Smartag Solutions Berhad ("Smartag Solutions") for the inclusion in the prospectus of Smartag Solutions in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Smartag Solutions' ordinary shares of RM22,700,000 comprising 227,000,000 Smartag Solutions' ordinary shares of RM0.10 each on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should not be relied upon for any other purposes.

2. GENERAL INFORMATION

2.1 Background Information

2.1.1 Smartag Solutions was incorporated in Malaysia under the Companies Act, 1965 on 12 January 2004 as a private limited liability company under the name of Smartag Solutions Sdn. Bhd. It was subsequently converted into a public limited liability company on 11 June 2008 and assumed its present name. On 25 February 2011, Smartag Solutions received the foreign business license for Thailand to provide container tracking service using RFID in partnership with Netbay Co. Ltd, a company incorporated in Thailand.

2.1.2 Smartag Solutions is principally engaged in the provision of radio frequency identification ("RFID") solutions for various applications. Further details on its subsidiaries and a jointly controlled entity are set out in Notes 2.3 and 2.4 respectively.

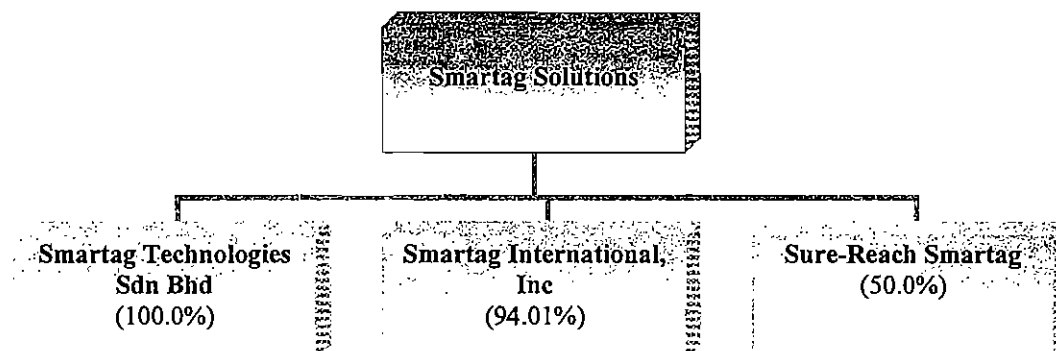
13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

2. GENERAL INFORMATION (Continued)

- 2.1.3 As at the date of this report, the group structure of Smartag Solutions and its subsidiaries, including a jointly controlled entity, namely Sure-Reach Smartag Sdn Bhd (*formerly known as Uempirical Sdn Bhd*) ("Sure-Reach Smartag"), (hereinafter collectively referred to as "Smartag Solutions Group") are as follows:-



Further details on its subsidiaries and a jointly controlled entity are set out in Notes 2.3 and 2.4 respectively.

2.2 Share Capital of Smartag Solutions

The authorised share capital of Smartag Solutions was RM100,000 comprising 100,000 ordinary shares of RM1 each and its issued and paid-up share capital was RM3 comprising three (3) ordinary shares of RM1 each at the date of incorporation.

Subsequently, prior to the Listing, the authorised share capital of Smartag Solutions was increased from RM100,000 to RM25,000,000 through the creation of 24,900,000 ordinary shares of RM1 each and sub-division of each RM1 shares into ten (10) shares of RM0.10 each.

Details of the changes to the issued and fully paid-up share capital of Smartag Solutions since its date of incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par value RM	Consideration	Cumulative Total No. of Shares	Cumulative Issued and Paid-up Share Capital RM
12.01.2004	3	1.00	Subscribers' shares	3	3
03.09.2004	927,107	1.00	Cash	927,110	927,110
01.10.2004	72,890	1.00	Cash	1,000,000	1,000,000

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

2. GENERAL INFORMATION (Continued)

2.2 Share Capital of Smartag Solutions (Continued)

Date of Allotment	Number of Ordinary Shares Allotted	Par value RM	Consideration	Cumulative Total No. of Shares	Cumulative Issued and Paid-up Share Capital RM
28.03.2008	1,000,000	1.00	Cash	2,000,000	2,000,000
27.06.2008	-	0.10	N/A	*20,000,000	2,000,000
21.09.2010	150,000,000	0.10	Pursuant to the bonus issue ^	170,000,000	17,000,000

* Sub-division of each RM1 share into ten (10) shares of RM0.10 each.

^ On 21 September 2010, Smartag Solutions had completed the bonus issue of 150,000,000 new ordinary shares on the basis of fifteen (15) ordinary shares for every two (2) ordinary shares held.

2.3 Subsidiaries of Smartag Solutions

2.3.1 The details of the subsidiaries of Smartag Solutions as at the date of this report are as follows:-

No.	Name of Company	Date/Country of Incorporation	Effective Equity Interest %	Principal Activities
1.	Smartag Technologies Sdn. Bhd. ("Smartag Technologies")	27 November 2002/ Malaysia	100.0	Currently dormant
2.	Smartag International, Inc. (formerly known as Art4, Love, Inc.) ("Smartag International")	24 March 1999/ United States of America	94.01	Currently dormant

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****2. GENERAL INFORMATION (Continued)****2.4 Jointly controlled entity of Smartag Solutions**

2.4.1 The details of the jointly controlled entity of Smartag Solutions as at the date of this report are as follows:-

No.	Name of Company	Date/Country of Incorporation	Effective Equity Interest %	Principal Activities
1.	Sure-Reach Smartag	11 March 2010/ Malaysia	50.0	Research and development of information technologies

3. DIVIDENDS

No dividend was paid or declared by Smartag Solutions and its subsidiaries since their dates of incorporation.

4. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial year ends of Smartag Solutions, Smartag Technologies and Sure-Reach Smartag are 30 September. Smartag International has its financial year end on 31 December.

The auditors of Smartag Solutions, its subsidiaries and its jointly controlled entity for the relevant financial years/periods under review are as follows:-

Company	Financial Year Ended ("FYE") / Financial Period Ended ("FPE")	Auditors
Smartag Solutions	<ul style="list-style-type: none"> FYE 30 September 2008; FYE 30 September 2009; and FYE 30 September 2010 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Subsidiaries		
Smartag Technologies	<ul style="list-style-type: none"> Ten (10) months FPE 30 September 2008; FYE 30 September 2009; and FYE 30 September 2010 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Smartag International [^]	<ul style="list-style-type: none"> FYE 31 December 2008; FYE 31 December 2009; and FYE 30 September 2010 	Weaver & Martin, LLC (Certified Public Accountants, United States of America)

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

4. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

Company	FYE/ FPE	Auditors
Jointly Controlled Entity		
Sure-Reach Smartag	FPE from 11 March 2010 (the date of incorporation) to 30 September 2010*	Messrs. Wai & Co. (Chartered Accountants, Malaysia)

^ Under the Financial Industry Regulatory Authority (FIMRA) rules, a company listed on Pink Sheets OTC Market, i.e. Smartag International is not required to submit its audited financial statements to the relevant authorities. However, subsequent to the acquisition of Smartag International by Smartag Solutions on 8 December 2008, Smartag International has voluntarily prepared and submitted its audited financial statements to the relevant authorities since the FYE 31 December 2008.

* First set audited financial statements for Sure-Reach Smartag.

The statutory financial statements of the Smartag Solutions Group for the financial years/ periods under review were reported by the respective auditors without any qualifications or modifications, except for the following audited financial statements:-

- (a) The audited financial statements of Smartag International for the FYE 31 December 2008, FYE 31 December 2009 and FYE 30 September 2010 which comprise of the following emphasis of matter paragraph in the auditors' report:-

"The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in notes to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities, obtaining debt financing, or finding a suitable candidate for a business combination for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

- (b) The audited financial statements of Smartag Technologies for the FYE 30 September 2010 which comprise of the following emphasis of matter paragraph in the auditors' reports:-

"Without qualifying our opinion, we draw attention to Note 2 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM51,128 during the financial year ended 30 September 2010, and as of that date, the Company's current liabilities exceeded its current assets by RM33,251 and recorded a capital deficiency of RM7,352. The ability of the Company to continue as a going concern is dependent on the continuous financial support from its holding company to provide adequate funds for the Company to meet its liabilities as and when they fall due."

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****4. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)**

Despite the abovementioned auditors' reports of Smartag International and Smartag Technologies containing emphasis of matter paragraphs on their going concerns, the directors of Smartag Solutions are of the view that as Smartag International and Smartag Technologies are presently dormant and the losses incurred comprise mainly of statutory expenses, therefore, there would not have any material financial impact on the financial results of the Smartag Solutions Group.

5. CONVERSION RATE

The financial information of the Smartag Solutions Group is measured by using the currency of the primary economic environment in which the Smartag Solutions Group operates. The functional currency of the Smartag Solutions Group is Ringgit Malaysia. For the preparation of this report, the financial information of Smartag International, which was prepared in United States Dollar ("USD") has been converted to Ringgit Malaysia ("RM") for information purposes only.

The exchange rates used for the purpose of this report are as follows:-

- (i) Income Statements (based on an average of the exchange rates on the last day of each month during the financial years under review)

Financial Year Ended ("FYE")	Exchange Rate
FYE 31 December 2008	USD1 : RM3.3345
FYE 31 December 2009	USD1 : RM3.5225
FYE 30 September 2010	USD1 : RM3.2407

- (ii) Balance sheets (based on the closing rates at the respective reporting dates)

Reporting Date	Exchange Rate
As at 31 December 2008	USD1 : RM3.4675
As at 31 December 2009	USD1 : RM3.4265
As at 30 September 2010	USD1 : RM3.0855

(Source: Bank Negara Malaysia)

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This report is prepared on a basis consistent with the accounting policies adopted by the Smartag Solutions Group in the preparation of the audited consolidated financial statements for the FYE 2010 and in accordance with the Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board.

A. BASIS OF PREPARATION

The financial statements of the Smartag Solutions Group have been prepared in accordance with the FRSs and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Smartag Solutions Group have been prepared under the historical cost basis, except as disclosed in the significant accounting policies.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, IC INTERPRETATIONS ("IC INT") AND AMENDMENTS TO IC INT**(a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int**

On 1 October 2009, the Smartag Solutions Group adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int mandatory for annual financial period beginning on or after 1 October 2009.

New FRSs

FRS 8 Operating Segments

The adoption of the FRS 8 has no impact on the results and the financial position of the Smartag Solutions Group.

(b) New and Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early

The Smartag Solutions Group have not adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that have been issued but are not yet effective for the Smartag Solutions Group.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, IC INT AND AMENDMENTS TO IC INT (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)

	Effective for financial periods beginning on or after
<u>New FRSs</u>	
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments : Disclosures	1 January 2010
FRS 139 Financial Instruments : Recognition and Measurement	1 January 2010
<u>Revised FRSs</u>	
FRS 1 First time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations	1 July 2010
FRS 101 Presentation of Financial Statements	1 January 2010
FRS 123 Borrowing costs	1 January 2010
FRS 124 Related Party Disclosure	1 January 2012
FRS 127 Consolidated and Separate Financial Statements	1 July 2010
<u>Amendments/Improvements to FRSs</u>	
FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2010 and 1 January 2011
FRS 2 Share-based Payment	1 January 2010, 1 July 2010 and 1 January 2011
FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January and 1 July 2010
FRS 7 Financial Instruments: Disclosure	1 January 2010 and 1 January 2011
FRS 8 Operating Segments	1 January 2010
FRS 101 Presentation of Financial Statements	1 January 2011
FRS 107 Statement of Cash Flows	1 January 2010
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
FRS 110 Events After the Reporting Period	1 January 2010
FRS 116 Property, Plant and Equipment	1 January 2010
FRS 117 Leases	1 January 2010
FRS 118 Revenue	1 January 2010
FRS 119 Employee Benefits	1 January 2010
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 121 The Effects of Changes in Foreign Exchange Rates	1 January 2011

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, IC INT AND AMENDMENTS TO IC INT (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)

	Effective for financial periods beginning on or after
<u>Amendments/Improvements to FRSs</u>	
FRS 123 Borrowing Costs	1 January 2010
FRS 127 Consolidated and Separate Financial Statements	1 January 2010
FRS 128 Investments in Associates	1 January 2010 and 1 January 2011
FRS 129 Financial Reporting in Hyperinflationary Economics	1 January 2010
FRS 131 Interests in Joint Ventures	1 January 2010 and 1 January 2011
FRS 132 Financial Instruments: Presentation	1 January 2010, 1 March 2010 and 1 January 2011
FRS 134 Interim Financial Reporting	1 January 2010 and 1 January 2011
FRS 138 Intangible Assets	1 January and 1 July 2010
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2011
FRS 140 Investment Property	1 January 2010
<u>IC Int</u>	
IC Int 4 Determining Whether an Arrangement contains a Lease	1 January 2011
IC Int 9 Reassessment of Embedded Derivatives	1 January 2010
IC Int 10 Interim Financial Reporting and Impairment	1 January 2010
IC Int 11 FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Int 12 Service Concession Arrangements	1 July 2010
IC Int 13 Customer Loyalty Programmes	1 January 2010
IC Int 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Int 15 Agreements for the Construction of Real Estate	1 January 2012
IC Int 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW AND REVISED FRSs, AMENDMENTS/IMPROVEMENTS TO FRSs, IC INT AND AMENDMENTS TO IC INT (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)

	Effective for financial periods beginning on or after
<u>IC Int</u>	
IC Int 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Int 18 Transfers of Assets from Customers	1 January 2011
IC Int 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
<u>Amendments to IC Int</u>	
IC Int 9 Reassessment of Embedded Derivatives	1 January 2010 & 1 July 2011
IC Int 13 Customer Loyalty Programmes	1 January 2011
IC Int 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011
IC Int 15 Agreements for the Construction of Real Estate	30 August 2010

Other than FRS 7, FRS 101 and FRS 139, the Directors do not anticipate that the application of the above new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int, when they are effective, will have a material impact on the results and the financial position of the Smartag Solutions Group.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by Paragraphs 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemptions given in the respective FRSs. Changes arising from adoption of FRS 101 are discussed below:

FRS 101 – Presentation of Financial Statements

FRS 101 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (ie. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****C. BASIS OF CONSOLIDATION AND SUBSIDIARY COMPANIES (Continued)**

The consolidated financial statements include the financial statements of Smartag Solutions and its subsidiary companies made up to the end of the financial year. The financial statements of the parent and its subsidiary company are drawn up to the same reporting date except as disclosed in Note 4. When the financial statements of a subsidiary company used in the preparation of consolidated financial statements are prepared as of a reporting date different from that of the parent, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the parent's financial statements. The length of the reporting periods and any difference in the reporting dates shall be the same from period to period.

Subsidiary company is an entity over which the Smartag Solutions Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Smartag Solutions Group controls another entity.

Subsidiary company is consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiary company is fully consolidated from the date on which control is transferred to the Smartag Solutions Group and is de-consolidated from the date that control ceases. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities and contingent liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Smartag Solutions Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

Intragroup transactions and balances and unrealised gains on transactions within the Smartag Solutions Group are eliminated on consolidation. Unrealised losses are also eliminated to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiary company to ensure consistency with the accounting policies adopted by the Smartag Solutions Group.

Minority interests represent the portion of the profit or loss and net assets of subsidiary company attributable to equity interests that are not owned, directly or indirectly through subsidiary company, by the parent. It is measured at the minorities' share of the fair value of the subsidiary company identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary company equity since that date.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****C. BASIS OF CONSOLIDATION AND SUBSIDIARY COMPANIES (Continued)**

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary company, the excess and any further losses applicable to the minority are charged against the Smartag Solutions Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary company subsequently reports profits, the Smartag Solutions Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Smartag Solutions Group has been recovered.

In Smartag Solutions's separate financial statements, investments in subsidiary companies are stated at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6P. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the income statement.

In the Smartag Solutions Group's consolidated financial statements, the difference between the net disposal proceeds and the Smartag Solutions Group's share of the subsidiary's net assets together with any unamortised goodwill is reflected as a gain or loss on disposal in the consolidated income statement.

D. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6P. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Smartag Solutions Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation of property, plant and equipment is calculated to write off the cost of each asset on a straight line basis over their expected useful lives at the following annual rate:-

Computers	33.33%
Information Technology equipment	10% - 20%
Office equipment and furniture and fittings	10%
Renovation	10%

Information Technology equipment under installation are not depreciated as these assets are not available for use.



13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****D. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (Continued)**

The residual values, useful lives and depreciation method of assets are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amounts, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in these items of property, plant and equipment. The effects of any revisions of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

At each balance sheet date, the Smartag Solutions Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

E. JOINTLY CONTROLLED ENTITY

The Smartag Solutions Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting based on the first set of audited financial statements as disclosed in Note 4.

In Smartag Solutions's separate financial statements, investment in jointly controlled entity is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is accordance with Note 6P.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

F. GOVERNMENT GRANT

Government grant represents grant provided by the government for the development and up-scale a new technology in priority technology areas stated in the agreement.

Government grants shall not be recognised until there is reasonable assurance that the entity comply with the conditions attaching to them and the grants will be received.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire non-current assets and shall be recognised in the balance sheet as deferred income and transferred to the income statement as income on a systematic and rational basis over the useful life of the asset.

G. INTANGIBLE ASSETS

(i) Goodwill on Consolidation and Negative Goodwill

Goodwill represents the excess of the cost of business combination over the fair value of the Smartag Solutions Group's share of the identifiable net assets at the date of acquisition. Negative goodwill represents the excess of the Smartag Solutions Group's share of the identifiable net assets over the cost of the business combination as at the date of the acquisition.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is accordance with Note 6P. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Negative goodwill is recognised directly in the income statement.

(ii) Exclusive Rights

Exclusive rights acquired to use the intellectual property in the Radio Frequency Identification ("RFID") business to further procure, develop and patent other technologies such as RFID, smart reader, smart cards and other related technologies is measured on initial recognition at cost. Following initial recognition, this intangible asset is carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is accordance with Note 6P.

This intangible asset is amortised on a straight-line basis over the estimated economic useful life of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible asset with indefinite useful life is not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INTANGIBLE ASSETS (Continued)

(iii) Research and Development Costs (Continued)

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Smartag Solutions Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development.

The product development costs are not amortised as the asset is not available for use.

Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date. The policy for the recognition and measurement of impairment losses is in accordance with Note 6P.

H. INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the first-in, first-out basis. The cost of inventories comprises cost of purchase and incidental costs in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

I. RECEIVABLES

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

J. PAYABLES

Payables are stated at cost which is the fair value of the consideration to be paid in the future, whether or not billed to the Smartag Solutions Group.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**Accountants' Report**

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**K. PROVISIONS FOR LIABILITIES**

Provisions for liabilities are recognised when the Smartag Solutions Group has a present obligation as a result of a past event, 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. Where the Smartag Solutions Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

L. TAXATION

The income tax expense in the income statement represents the aggregate amount of current tax and deferred tax include in the determination of net profit or loss for the year.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and adjustment to tax payable in respect of the previous financial year.

Deferred tax is provided for, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**Accountants' Report**

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**M. REVENUE RECOGNITION****(i) Sales of Goods and Services Rendered**

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Smartag Solutions Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Smartag Solutions Group's activities and is recognised in the income statement when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when the services are rendered.

(ii) Interest revenue

Interest revenue is recognised on an accrual basis.

N. ORDINARY SHARES

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

O. FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheet when the Smartag Solutions Group has become a party to the contractual provision of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Smartag Solutions Group has a legally enforceable right to set off the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****P. IMPAIRMENT OF ASSETS**

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (except investments in subsidiary companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired on a business combination is, from the acquisition date, allocated to each of Smartag Solutions Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Smartag Solutions Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Q. EMPLOYEE BENEFITS****(i) Short term employee benefits**

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) Post-employment benefits

The Malaysian companies in the Smartag Solutions Group contribute to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Smartag Solutions Group has no further payment obligations.

R. FOREIGN CURRENCIES**(i) Functional and presentation currency**

The individual financial statements of each entity in the Smartag Solutions Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Smartag Solutions Group's functional currency and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative affect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates); and
- all resulting exchange differences are recognised as a separate component of equity.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****R. FOREIGN CURRENCIES (Continued)****(ii) Transactions and balances (Continued)**

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

S. CASH AND CASH EQUIVALENTS

For the purpose of the cash flows statements, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, other short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of fixed deposits pledged to financial institutions.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Smartag Solutions Group makes estimates and assumptions concerning future events. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Smartag Solutions Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(a) Key Sources of Estimations**(i) Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on the straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 3 to 10 years. The carrying amount of property, plant and equipment of the Smartag Solutions Group were disclosed in Note 8.1.5(d). Changes in expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.



13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)****(a) Key Sources of Estimation (Continued)****(ii) Recoverability of receivables**

The Smartag Solutions Group makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(iii) Net realisable values of inventories

Reviews are made periodically by management on slow moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(iv) Impairment of goodwill

The Smartag Solutions Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires the management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was disclosed in Note 8.1.5(f).

(v) Impairment of investment in subsidiary companies and jointly controlled entity

The Smartag Solutions Group tests investment in subsidiary companies and jointly controlled entity for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary companies and jointly controlled entity, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Smartag Solutions Group's tests for impairment of investment in subsidiaries and jointly controlled entity.

(vi) Impairment of property, plant and equipment and product development costs

The Smartag Solutions Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)****(a) Key Sources of Estimation (Continued)****(vi) Impairment of property, plant and equipment and product development costs (Continued)**

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Smartag Solutions Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions changes in technology and other available information.

As at balance sheet date, the directors of Smartag Solutions are of the opinion that there is no impact resulting from the impairment review by the management.

(vii) Income taxes

The Smartag Solutions Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Critical Judgements Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Smartag Solutions Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Smartag Solutions Group FYE 30 September 2008 was the first set of audited consolidated financial statements of the Smartag Solutions Group.

All information are extracted from the audited financial statements for the three (3) FYEs 30 September 2008, 30 September 2009 and 30 September 2010 except those in italics which are prepared based on the calculations, representations and explanations provided by the management.

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group

8.1.1 Consolidated Income Statements of the Smartag Solutions Group

	Note	← FYE 30 September →		
		2008 RM'000	2009 RM'000	2010 RM'000
Revenue	8.1.5(a)	22,855	34,558	22,769
Cost of sales		(14,247)	(26,615)	(9,808)
Gross profit		8,608	7,943	12,961
Other operating income		108	59	1,406
Other expenses		-	-	(8)
Selling and distribution expenses		(42)	(233)	(375)
Administrative expenses		(773)	(1,527)	(3,615)
Operating profit		7,901	6,242	10,369
Finance costs		-	-	(9)
Share of result of a jointly controlled entity		-	-	(12)
Profit before taxation	8.1.5(b)	7,901	6,242	10,348
Taxation	8.1.5(c)	-	(7)	(1)
Net profit for the financial years		7,901	6,235	10,347
<i>Gross profit margin (%)</i>		<i>37.66</i>	<i>22.98</i>	<i>56.92</i>
<i>Profit before tax margin (%)</i>		<i>34.57</i>	<i>18.06</i>	<i>45.45</i>
<i>Effective tax rate (%)</i>		<i>-</i>	<i>0.11</i>	<i>0.01</i>
<i>Weighted average number of ordinary shares in issue of RM 0.10 each ('000)</i>		<i>6,247</i>	<i>20,000</i>	<i>24,110</i>
<i>Gross earning per share (sen)</i>		<i>126.48</i>	<i>31.21</i>	<i>42.92</i>
<i>Net earnings per share (sen)</i>		<i>126.48</i>	<i>31.18</i>	<i>42.92</i>

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.1 Consolidated Income Statements of the Smartag Solutions Group (Continued)

Notes

- (i) Gross earnings per share is computed based on profit before taxation over the Smartag Solutions's weighted average number of ordinary shares in issue.*
- (ii) Net earnings per share is computed based on the net profit for the financial year over the Smartag Solutions's weighted average number of ordinary shares in issue.*

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.2 Audited Consolidated Balance Sheets of the Smartag Solutions Group

	Note	← As at 30 September →		
		2008 RM'000	2009 RM'000	2010 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	8.1.5(d)	290	936	7,316
Investment in a jointly controlled entity	8.1.5(e)	-	-	5,003
Goodwill on consolidation	8.1.5(f)	-	864	-
Intangible assets	8.1.5(g)	729	786	4,232
		<u>1,019</u>	<u>2,586</u>	<u>16,551</u>
Current assets				
Inventories	8.1.5(h)	2,301	51	63
Trade receivables	8.1.5(i)	6,739	28,512	11,611
Other receivables and deposits	8.1.5(j)	859	1,544	43
Tax recoverable		-	8	-
Fixed deposits placed with licensed bank	8.1.5(k)	511	321	18
Cash and bank balances		2,928	314	943
		<u>13,338</u>	<u>30,750</u>	<u>12,678</u>
TOTAL ASSETS		<u>14,357</u>	<u>33,336</u>	<u>29,229</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of Smartag Solutions				
Share capital	8.1.5(l)	2,000	2,000	17,000
Reserves	8.1.5(m)	9,991	16,224	11,579
Total equity		<u>11,991</u>	<u>18,224</u>	<u>28,579</u>

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.2 Audited Consolidated Balance Sheets of the Smartag Solutions Group (Continued)

	Note	← As at 30 September →		
		2008 RM'000	2009 RM'000	2010 RM'000
Current liabilities				
Trade payables	8.1.5(o)	2,044	14,222	40
Other payables and accruals	8.1.5(p)	322	281	610
Government grant	8.1.5(q)	-	609	-
Tax payable		-	-	*
		2,366	15,112	650
Total liabilities		2,366	15,112	650
TOTAL EQUITY AND LIABILITIES				
		14,357	33,336	29,229
<i>Number of ordinary shares of RM 0.10 each in issue ('000)</i>				
		20,000	20,000	170,000
<i>Net tangible assets ("NTA") (RM'000)</i>				
		11,262	16,574	24,347
<i>NTA per ordinary share (sen)</i>				
		56.31	82.87	14.32
<i>Net assets ("NA") (RM'000)</i>				
		11,991	18,224	28,579
<i>NA per ordinary share (sen)</i>				
		59.96	91.12	16.81

* RM68

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.3 Audited Consolidated Statements of Changes in Equity of the Smartag Solutions Group

	←	Attributable to equity holders of Smartag Solutions	→
	<u>Non-distributable</u>	<u>Distributable</u>	
	Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 October 2007	1,000	2,090	3,090
Issuance of shares	1,000	-	1,000
Net profit for the financial year	-	7,901	7,901
At 30 September 2008	2,000	9,991	11,991
Net profit for the financial year	-	6,235	6,235
Foreign currency translation	8.1.5(m)	(2)	(2)
At 30 September 2009	2,000	16,226	18,224
Bonus issue	15,000	(15,000)	-
Net profit for the financial year	-	10,347	10,347
Foreign currency translation	8.1.5(m)	8	8
At 30 September 2010	17,000	11,573	28,579



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.4 Audited Consolidated Cash Flow Statements of the Smartag Solutions Group

	← FYE 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	7,901	6,242	10,348
Adjustments for:			
Amortisation of intangible asset	46	-	-
Deposit written off	-	-	13
Depreciation of property, plant and equipment	4	131	142
Gain on disposal of intangible asset	-	(40)	-
Impairment on goodwill	-	-	864
Interest expenses	-	-	8
Interest income	(36)	(19)	(6)
Property, plant and equipment written off	-	-	24
Share of result of a jointly controlled entity	-	-	12
Negative goodwill	(72)	-	-
Unrealised loss on foreign exchange	-	-	85
Operating Profit Before Working Capital Changes	7,843	6,314	11,490
Changes in Working Capital:			
Inventories	(2,301)	2,251	51
Receivables	(6,279)	(21,849)	18,305
Payables	1,540	12,042	(14,463)
	803	(1,242)	15,383
Tax paid	-	(16)	7
Net Operating Cash Flows	803	(1,258)	15,390

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.4 Audited Consolidated Cash Flow Statements of the Smartag Solutions Group (Continued)

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Product development costs incurred	-	(786)	(3,447)
Interest received	36	19	6
Net cash inflow/ (outflow) from the acquisition of subsidiary companies	241	(769)	-
Investment in a jointly controlled entity	-	-	(5,015)
Proceeds from disposal of intangible asset	-	769	-
Purchase of property, plant and equipment	(292)	(777)	(6,608)
Net Investing Cash Flows	(15)	(1,544)	(15,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interests paid	-	-	(8)
Proceeds from the issuance of shares	1,000	-	-
Net changes in amount owing to a director	(16)	-	-
Net Financing Cash Flows	984	-	(8)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,772	(2,802)	318
EFFECT ON EXCHANGE RATE CHANGES ON OPENING CASH AND CASH EQUIVALENTS	-	(2)	8
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	1,667	3,439	635
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	3,439	635	961

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.4 Audited Consolidated Cash Flow Statements of the Smartag Solutions Group (Continued)**

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Fixed deposits placed with licensed banks	511	321	18
Cash and bank balances	2,928	314	943
	3,439	635	961

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13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.4 Audited Consolidated Cash Flow Statements of the Smartag Solutions Group (Continued)****Notes to the Audited Consolidated Cash Flow Statements****Analysis of Acquisition of Subsidiary Companies**

On 24 March 2008, Smartag Solutions acquired 100% equity interest in Smartag Technologies for a cash consideration of RM50,098.

On 8 December 2008, Smartag Solutions acquired 98.6% equity interest in Smartag International, Inc. (formerly known as Art4 Love, Inc) for a cash consideration of RM768,980.

The cash flows on the acquisition of Smartag Technologies and Smartag International at their respective dates of acquisition are as follows:-

	Smartag Technologies ← As at → 24 March 2008 RM'000	Smartag International 8 December 2009 RM'000
Asset and liabilities acquired		
Cash and bank balances	291	-
Trade payables	(1)	-
Other payables and accruals	(168)	(95)
(Negative goodwill)/ Goodwill on consolidation	(72)	864
Purchase consideration satisfied by cash	50	769
Cash and cash equivalent of subsidiary companies acquired	(291)	-
Net cash (inflow)/ outflow from the acquisition	(241)	769

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.4 Audited Consolidated Cash Flow Statements of the Smartag Solutions Group (Continued)

Notes to the Audited Consolidated Cash Flow Statements (Continued)**Analysis of Acquisition of Subsidiary Companies (Continued)**

The effects of the acquisitions of Smartag Technologies and Smartag International on the financial results of the Smartag Solutions Group for the FYE 30 September 2008 and FYE 30 September 2009 respectively are as follows:-

	Smartag Technologies ← FYE 30 September → 2008 RM'000	Smartag International 2009 RM'000
Revenue	1,260	-
Cost of sales	(1,175)	-
Other operating revenue	*	-
Operating expenses	(45)	(219)
Net profit/ (loss) for the financial year	<u>40</u>	<u>(219)</u>

* RM68

The effects of the acquisition of Smartag Technologies and Smartag International on the financial position of the Smartag Solutions Group are as follows:-

	Smartag Technologies ← As at 30 September → 2008 RM'000	Smartag International 2009 RM'000
Current asset		
Cash and bank balances	<u>291</u>	<u>-</u>
Current liabilities		
Trade payables	(1)	-
Other payables and accruals	(168)	(95)
	<u>(169)</u>	<u>(95)</u>
Net current assets/ (liabilities)	<u>122</u>	<u>(95)</u>
Increase /(Decrease) in the Smartag Solutions Group's net assets	<u>122</u>	<u>(95)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group

(a) Revenue

Revenue comprises mainly income from provision of RFID solutions for various applications.

(b) Profit Before Taxation

Profit before taxation has been arrived at:-

	← FYE 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
After charging:-			
Amortisation of intangible asset	46	-	-
Audit fee			
- current year	32	46	28
- prior year	-	-	(5)
Deposit written off	-	-	13
Depreciation	4	131	142
Directors' remuneration			
- Employees Provident Fund	12	17	61
- salaries and allowances	-	-	241
- fees	96	145	270
Impairment loss on goodwill	-	-	864
Interest expenses	-	-	9
Loss on foreign exchange			
- realised	-	-	61
- unrealised	-	-	85
Property, plant and equipment written off	-	-	24
Rental	7	60	86
Management fee	15	-	-
Staff costs			
- Employees Provident Fund	17	38	68
- salaries and wages	146	358	605
- SOCSO	4	6	8
Tax recoverable written off	-	-	8

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(b) Profit Before Taxation (Continued)

	← FYE 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
And crediting:-			
Gain on disposal of intangible asset	-	40	-
Government grant	-	-	1,400
Interest income	36	19	6
Realised gain on foreign exchange	-	-	*
Negative goodwill	72	-	-

* RM470

(c) Taxation

	← FYE 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
Income tax			
- current year	-	(2)	(1)
- prior year	-	(5)	#
	-	(7)	(1)

RM221

Smartag Solutions is exempted from income tax in respect of its statutory business income derived from Malaysia as Smartag Solutions is granted MSC (Multimedia Super Corridor) status with Pioneer Status tax incentive for 5 years beginning 11 July 2007.

Domestic income tax is calculated at the Malaysian statutory tax rate of 26%, 25% and 25% of the estimated assessable profit for FYE 30 September 2008, FYE 30 September 2009 and FYE 30 September 2010 respectively. Taxation for other jurisdiction is calculated at the rates prevailing in the jurisdiction.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(c) Taxation (Continued)**

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rates to income tax expenses at the effective income tax rates of the Smartag Solutions Group are as follows:-

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Profit before taxation	7,901	6,242	10,348
Tax at the applicable tax rates of 26%, 25% and 25% respectively	(2,054)	(1,561)	(2,587)
Tax effects arising from			
- non-deductible expenses	(27)	(164)	(109)
- non-taxable income	19	12	-
- tax incentive - pioneer status	2,061	1,717	2,718
- originations of deferred tax assets not recognised in the financial statements	+	(7)	(20)
- changes of tax rate	1	1	-
- (under)/ over accrual in prior year	-	(5)	#
- share of a result of a jointly controlled entity	-	-	(3)
Tax expense for the financial years	-	(7)	(1)

+ (RM139)

RM221

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13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(c) Taxation (Continued)**

Further, the deferred tax assets have not been recognised for the following items:-

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Deductible/ (taxable) temporary differences	-	(2)	(1)
Unutilised tax losses	-	24	106
	-	22	105
Potential deferred tax assets at 25%	-	(6)	(26)

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(d) Property, Plant and Equipment

Cost	Computers RM'000	Information Technology Equipment RM'000	Information Technology Equipment under Installation RM'000	Office Equipment and Furniture and Fittings RM'000	Renovation RM'000	Total RM'000
At 1 October 2007	5	-	-	3	-	8
Additions	285	-	-	4	3	292
At 30 September 2008	290	-	-	7	3	300
(As Restated)						
At 1 October 2008	290	-	-	7	3	300
Additions	19	621	-	101	36	777
Reclassification	(263)	263	-	-	-	-
At 30 September 2009	46	884	-	108	39	1,077
Additions	26	43	6,528	11	-	6,608
Transfer*	-	(87)	-	-	-	(87)
Write-off	-	-	-	-	(27)	(27)
At 30 September 2010	72	840	6,528	119	12	7,571

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)**

- 8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)
- 8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)
- (d) Property, Plant and Equipment (Continued)

	Computers RM'000	Information Technology Equipment RM'000	Information Technology Equipment under Installation RM'000	Office Equipment and Furniture and Fittings RM'000	Renovation RM'000	Total RM'000
Accumulated Depreciation						
At 1 October 2007	6	-	-	>	-	6
Depreciation for the financial year	4	-	-	*	#	4
At 30 September 2008	10	-	-	<	#	10
(As Restated)						
At 1 October 2008	10	-	-	<	#	10
Depreciation for the financial year	10	105	-	12	4	131
At 30 September 2009	20	105	-	12	4	141
Depreciation for the financial year	18	105	-	15	4	142
Transfer*	-	(24)	-	-	-	(24)
Write-off	-	-	-	-	(4)	(4)
At 30 September 2010	38	186	-	27	4	255

> RM382

* RM408

RM346

< RM790



13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(d) Property, Plant and Equipment (Continued)**

	Computers RM'000	Information Technology Equipment RM'000	Information Technology Equipment under Installation RM'000	Office Equipment and Furniture and Fittings RM'000	Renovation RM'000	Total RM'000
Net Book Value at 30 September 2008	280	-	-	7	3	290
(As Restated) Net Book Value at 30 September 2009	26	779	-	96	35	936
Net Book Value at 30 September 2010	34	654	6,528	92	8	7,316

* Information Technology Equipment with net book value of RM63,118 was transferred to inventory during the FYE 2010.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(e) Investment in a Jointly Controlled Entity

	←	As at 30 September	→
	2008	2009	2010
	RM'000	RM'000	RM'000
At Cost			
Unquoted shares - at cost	-	-	5,015
Share of post-acquisition loss	-	-	(12)
	-	-	5,003

On 19 May 2010, Smartag Solutions entered into a joint venture agreement with Sure-Reach Worldwide Express Sdn. Bhd. to incorporate a jointly controlled entity, Sure-Reach Smartag with a total paid up share capital of RM10,030,000 consisting of 10,030,000 ordinary shares of RM1 each. Smartag Solutions subscribed 50% of the equity interests in Sure-Reach Smartag.

The Smartag Solutions Group's aggregate share of the current assets, non-current assets, current liabilities, income and expenses of the jointly controlled entity are as follows:-

	As at
	30 September
	2010
	RM'000
Assets and liabilities	
Current assets	8
Non-current assets	10,000
Total assets	10,008
Current liabilities	(3)
Non-current liabilities	-
Total liabilities	(3)
	FYE
	30 September
	2010
Results	
Revenue	-
Expenses	(25)

Details of the jointly controlled entity are disclosed in Note 2.4.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(f) Goodwill on Consolidation

	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
At Cost			
At the beginning of the financial years	-	-	864
New subsidiary acquired	-	864	-
Impairment on goodwill	-	-	(864)
At the end of financial years	-	864	-

Goodwill on consolidation arose from the acquisition of Smartag International, Inc. The Management of Smartag Solutions determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires the management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

During the FYE 2010, the Management of the Smartag Solutions Group had made full impairment loss on the goodwill on consolidation arising from the acquisition of Smartag International, Inc in view that the said subsidiary is dormant and the ability to generate any positive cash flow remained uncertain.

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(g) Intangible Assets

	Product Development Costs# RM'000	Exclusive Rights* RM'000	Total RM'000
Cost			
At 1 October 2007	-	925	925
Additions	-	-	-
At 30 September 2008	-	925	925
Additions	786	-	786
Disposals	-	(925)	(925)
At 30 September 2009	786	-	786
Additions^	3,446	-	3,446
At 30 September 2010	4,232	-	4,232
Accumulated Amortisation			
At 1 October 2007	-	150	150
Amortisation for the financial year	-	46	46
At 30 September 2008	-	196	196
Amortisation for the financial year	-	-	-
Disposals	-	(196)	(196)
At 30 September 2009	-	-	-
Amortisation for the financial year	-	-	-
At 30 September 2010	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(g) Intangible Assets (Continued)

	Development Costs# RM'000	Exclusive Rights* RM'000	Total RM'000
Net Book Value at 30 September 2008	-	729	729
Net Book Value at 30 September 2009	786	-	786
Net Book Value at 30 September 2010	4,232	-	4,232

- * The Smartag Solutions Group acquired the exclusive rights to use the intellectual property in the RFID business to further procure, develop and patent other technologies such as RFID smart readers, smart cards and other related technologies.

During the FYE 30 September 2009, Smartag Solutions had sold the exclusive rights to use the intellectual property to a third party in Singapore at a gain of RM46,255.

- # During the FYE 30 September 2009, Smartag Solutions obtained a government grant on the approved development cost incurred up to maximum of RM1,400,000 as disclosed in Note 8.1.5 (p).

- ^ In connection with the Collaboration with CRUISE GPS Systems Sdn Bhd to develop a land fleet management system that incorporates GPS and RFID for real-time monitoring of vehicles, Smartag Solutions incurred project development costs of RM2.83 million. The total project development cost is estimated at RM3.54 million. The balance of the project development cost is disclosed in Note 8.1.5(t).

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(h) Inventories**

	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
At Cost			
Work-in-progress	2,301	51	63

(i) Trade Receivables

The normal trade credit terms granted to the Smartag Solutions Group range from 1 to 30 days for FYE 30 September 2008 and FYE 30 September 2009 and 1 to 120 days for FYE 30 September 2010 respectively. Other credit terms are assessed and approved on a case-by-case basis.

The Smartag Solution Group has significant concentration of credit risk in the form of outstanding balance due from a customer representing 64% of the total trade receivables as at 30 September 2010.

The currency exposure profile of trade receivables is as follows:-

	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Ringgit Malaysia	4,895	18,084	4,235
US Dollar	1,844	10,428	7,376
	6,739	28,512	11,611

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(i) Trade Receivables (Continued)

	← As at 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
Ringgit Malaysia	4,895	18,084	4,235
US Dollar	1,844	10,428	7,376
	6,739	28,512	11,611

An ageing analysis of the trade receivables of the Smartag Solutions Group as at 30 September 2010 is set out as follows:-

	Within standard credit period		Exceeding credit period of 120 days		Total RM'000
	0 – 60 days RM'000	61 – 120 days RM'000	121 - 150 days RM'000	> 151 days RM'000	
Trade receivables	8,466	1,148	1,958	39	11,611
<i>Less: Allowance for doubtful debts</i>	-	-	-	-	-
Net trade receivables	8,466	1,148	1,958	39	11,611
% of total receivables	72.91	9.89	16.86	0.34	100.00

As at 30 September 2010, there were approximately RM2.0 million or 17.20% of the trade receivables outstanding as at 30 September 2010, which have exceeded the credit period, had been subsequently collected.

As at 31 January 2011, RM3.88 million which represents 33.40% of the total outstanding receivables of RM11.61 million as at 30 September 2010 had been collected.

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	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Other receivables	-	609	-
Deposits	859	935	43
	859	1,544	43

(k) Fixed Deposits Placed with Licensed Bank

The fixed deposits bear interest at the rates of 3.16%, 1.50% and 2.00 to 2.25% per annum for FYE 30 September 2008, FYE 30 September 2009 and FYE 30 September 2010 respectively and have maturity periods ranging from 1 to 12 months.

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(l) Share Capital

	As at 30 September					
	2008		2009		2010	
	Number of shares Unit ('000)	RM'000	Number of shares Unit ('000)	RM'000	Number of shares Unit ('000)	RM'000
Authorised:						
At the beginning of the financial years	10,000	10,000	-	-	-	-
- RM1.00 each	-	-	250,000	25,000	250,000	25,000
- RM0.10 each	15,000	15,000	-	-	-	-
Created during the financial year	225,000	-	-	-	-	-
Subdivided the share to RM 0.10 each						
At the end of the financial years	250,000	25,000	250,000	25,000	250,000	25,000
Issued and fully paid:						
At the beginning of the financial years	1,000	1,000	-	-	-	-
- RM1.00 each	-	-	20,000	2,000	20,000	2,000
- RM0.10 each	1,000	1,000	-	-	-	-
Issued during the financial year	-	-	-	-	-	-
Bonus issued during the financial year	18,000	-	-	-	150,000	15,000
Subdivided the share to RM 0.10 each						
At the end of the financial years	20,000	2,000	20,000	2,000	170,000	17,000

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(l) Share Capital (Continued)**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of Smartag Solutions. All shares rank equally with regard to Smartag Solutions' residual assets.

On 21 September 2010, Smartag Solutions had completed the bonus issue of 150,000,000 new Smartag Solutions shares of RM0.10 each amounting to RM15,000,000 by way of capitalisation from the retained earnings account. Accordingly, the issued and paid-up share capital of Smartag Solutions was increased to RM17,000,000 comprising 170,000,000 ordinary shares of RM0.10 each.

(m) Reserves

	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Non-distributable			
Foreign currency translation reserve	-	(2)	6
Distributable			
Retained earnings	9,991	16,226	11,573
	<u>9,991</u>	<u>16,224</u>	<u>11,579</u>

Exchange Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Smartag International.

(n) Trade Payables

The normal trade credit terms granted to the Smartag Solutions Group range from 1 to 30 days for FYE 30 September 2008 and FYE 30 September 2009 and 1 to 90 days for FYE 30 September 2010 respectively. Other credit terms are assessed and approved on a case-by-case basis.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(n). Trade Payables (Continued)**

An ageing analysis of the trade payables of the Smartag Solutions Group as at 30 September 2010 is set out as follows:-

	Within standard credit period			Exceeding credit period of 90 days	Total RM'000
	0 – 30 days RM'000	31 – 60 days RM'000	61 - 90 days RM'000	> 90 days RM'000	
Trade payables	-	-	-	40	40
% of total payables	-	-	-	100%	100%

There was no subsequent payment made to trade payable outstanding as at 30 September 2010 as the amount outstanding is currently in dispute. The directors are of the view that it would not have any material financial impact on the financial results of the Smartag Solutions Group.

(o) Other Payables and Accruals

	← As at 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
Other payables	-	157	182
Accruals	322	124	428
	322	281	610

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)

(o) Other Payables and Accruals (Continued)

The currency exposure profile of other payables is as follows:-

	←———— As at 30 September —————→		
	2008	2009	2010
	RM'000	RM'000	RM'000
Ringgit Malaysia	322	157	503
US Dollar	-	124	107
	322	281	610

Other Payables

On 18 November 2008, Smartag International, then a 98.6% owned subsidiary of Smartag Solutions, had issued a Convertible Note for USD25,000 to Ventana Capital Partners, Inc. ("Ventana") for USD10,000 cash and USD15,000 in professional services provided by Ventana. The Convertible Note is due on 31 December 2010 and bears no interest. The Convertible Note may be converted at any time, at the option of the holder, into 5,000,000 shares of common stock of Smartag International at USD0.005 per share. On 31 December 2008, the Convertible Note was transferred to Venor, Inc ("Venor"), and Venor had on 1 November 2010 subsequently transferred the Convertible Note to Paul Matthews.

On 10 November 2010, Smartag International had entered into a settlement agreement with Paul Matthews for the full settlement of the Convertible Note. Pursuant to the said agreement, the outstanding Convertible Note of USD25,000 as at the even date will be converted for 500,000 Smartag International's common stock as the full and final settlement for the Convertible Note ("Conversion of Convertible Note"). Following the issuance of additional 500,000 Smartag International common stocks, there was a dilution in Smartag Solutions' equity interest in Smartag International from 98.6% to 94.01%.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(p) Government Grant**

Government grant represents grants provided by the Ministry of Science, Technology and Innovations ("MOSTI") for the development of a new technology "Smartag Radio Frequency Identification (RFID) Trial Project" in Pasir Gudang, Johor Port.

MOSTI agreed to provide a grant of RM1,400,000 to provide financial assistance to Smartag Solutions under the TechnoFund grant based on the terms and conditions as stated in the TechnoFund Scheme agreement ("Agreement") dated 31 July 2009. The Agreement shall be for a period of 10 months commencing from 1 August 2009 to 31 May 2010.

The payments for the grant to Smartag Solutions are upon submission and verification of each milestone and project completion report.

On 25 August 2010, upon receipt the letter from MOSTI confirming the completion of the said project, Smartag Solutions had subsequently fully recognised the said grant in the income statement.

(q) Earnings Per Share**Basic Earnings Per Share**

Basic earnings per share of the Smartag Solutions Group is calculated by dividing the profit attributable to ordinary equity holders of Smartag Solutions for the FYE 30 September 2008, 30 September 2009 and FYE 30 September 2010 of RM7,901,104, RM6,234,652 and RM10,346,948 respectively by the weighted average number of ordinary shares in issue of 6,246,575, 20,000,000 and 24,109,589 shares respectively.

(r) Significant Related Party Transactions**(a) Identification of related parties**

Parties are considered to be related to the Smartag Solutions Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Smartag Solutions Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(r) Significant Related Party Transactions****(b) Identification of related parties**

The nature of the relationships with the related parties are as follows:-

Related Parties	Nature of Relationship
Danawa Resources Sdn. Bhd.	Datuk Abdul Hamed bin Sepawi is currently a director and major shareholder in Danawa Resource Sdn. Bhd. and Smartag Solutions.
Mitzmara Sdn. Bhd.	Datuk Abdul Hamed bin Sepawi is currently a director and major shareholder in Mitzmara Sdn. Bhd. and Smartag Solutions.
Lim Peng Keong	Lim Peng Keong was a major shareholder in both Smartag Solutions and Smartag Technologies.

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13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(r) Significant Related Party Transactions (Continued)****(c) Significant related party transactions**

During the financial years under review, the significant related party transactions are as follows:-

	← 2008	As at 30 September 2009	2010 →
	RM'000	RM'000	RM'000
Services to Danawa Resources Sdn Bhd for setting up and commission of an RFID asset tracking and logistics systems	2,195	-	-
Sale of goods to Mitzmara Sdn Bhd	-	-	131
Services to Smartag Technologies for implement RFID library solutions for the Perbadanan Perpustakaan Awam Negeri Pulau Pinang*	200	-	-
<hr/>			
Purchase of property, plant and equipment from Danawa Resources Sdn Bhd	-	-	3,047
<hr/>			
Acquisition by Smartag Solutions of shares in Smartag Technologies from Lim Peng Keong	50	-	-
<hr/>			

* *The services were rendered prior to the acquisition of Smartag Technologies by Smartag Solutions on 24 March 2008.*

The directors of the Smartag Solutions Group are of the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated terms.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(r) Significant Related Party Transactions (Continued)****(d) Key Management Personnel remuneration**

The remuneration of directors and other key management personnel for the FYE 30 September 2008, FYE 30 September 2009 and FYE 30 September 2010 are as follows:-

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Directors			
- Employees' Provident Fund	12	17	61
- fees	96	145	270
- salaries and allowances	-	-	241
	108	162	572
Other key management personnel			
- Salaries, bonuses and allowances	-	61	237
- Employees' Provident Fund	-	7	27
	-	68	264

Other members of key management personnel comprises persons other than directors of the Smartag Solutions Group, having authority and responsibility for planning, directing and controlling the activities of the Smartag Solutions Group entities either directly or indirectly.

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13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(s) Financial Instruments****(a) Financial Risk Management and Objectives**

The Smartag Solutions Group seeks to manage effectively the various risks namely credit, liquidity, interest rate risks and foreign currency, to which the Smartag Solutions Group is exposed to in its daily operations.

(i) Credit Risk

The management has a credit policy in place to monitor and minimise the exposure of default. Receivables are monitored on a regular and ongoing basis.

The Smartag Solutions Group has significant concentrations of credit risk in the form of outstanding balances due from a customer representing 64% of the total trade receivables as at 30 September 2010.

(ii) Liquidity Risk

The Smartag Solutions Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Smartag Solutions Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

(iii) Interest Rate Risk

The Smartag Solutions Group's primary interest rate risk relates to interest bearing debts as at 30 September 2008, 30 September 2009 and 30 September 2010. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
 Accountants' Report

8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.1 **Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)**
- 8.1.5 **Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)**
- (s) **Financial Instruments (Continued)**
- (a) **Financial Risk Management and Objectives(Continued)**
- (iii) **Interest Rate Risk (Continued)**

	Effective Interest Rate %	Within 1 Year RM'000	1 - 5 Years RM'000	>5 Years RM'000	Total RM'000
At 30 September 2008					
Financial Asset					
Fixed deposits placed with licensed bank	3.16	511	-	-	511
At 30 September 2009					
Financial Asset					
Fixed deposits placed with licensed bank	1.5	321	-	-	321
At 30 September 2010					
Financial Asset					
Fixed deposits placed with licensed bank	2.00-2.25	18	-	-	18

(iv) **Foreign Currency Risk**

The Smartag Solutions Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily. Exposure to foreign currency risks are monitored on an ongoing basis.

The Smartag Solutions Group does not consider it necessary to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currencies, given the nature of the business for the time being.

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8.1 Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****8.1.5 Notes to the Audited Consolidated Financial Statements of the Smartag Solutions Group (Continued)****(s) Financial Instruments (Continued)****(b) Fair Values****(i) Recognised financial instruments**

In the opinion of the directors, there were no significant differences between the fair values and the book values of the financial assets and financial liabilities.

(ii) Unrecognised financial instruments

There were no unrecognised financial instruments as at 30 September 2008, 30 September 2009 and 30 September 2010.

(t) Commitments**Other Commitment**

As at 30 September 2010, there are project development costs amounting to RM707,500 which were approved and contracted for by the Directors of Smartag Solutions but not provided for in its consolidated financial statements.

(u) Comparative Figures

For the preparation of this report, certain comparative figures have been reclassified to conform with the presentation of the other financial years under review.

	As Previously Stated RM'000	Reclassification RM'000	As Restated RM'000
Balance Sheets			
2009			
Property, plant and equipment	1,722	(786)	936
Intangible assets	-	786	786



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Smartag Solutions

8.2.1 Audited Income Statements of Smartag Solutions

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Revenue	22,855	34,558	22,769
Cost of sales	(14,247)	(26,615)	(9,808)
Gross profit	8,608	7,943	12,961
Other operating income	36	59	1,406
Other expenses	-	-	(819)
Selling and distribution expenses	(42)	(233)	(375)
Administrative expenses	(732)	(1,271)	(2,964)
Operating profit	7,870	6,498	10,209
Finance costs	-	-	(9)
Profit before taxation	7,870	6,498	10,200
Taxation	-	(7)	(1)
Net profit for the financial years	7,870	6,491	10,199
<i>Gross profit margin (%)</i>	<i>265.51</i>	<i>435.07</i>	<i>175.67</i>
<i>Profit before tax margin (%)</i>	<i>34.43</i>	<i>18.80</i>	<i>44.80</i>
<i>Effective tax rate (%)</i>	<i>-</i>	<i>0.11</i>	<i>0.01</i>
<i>Weighted average number of ordinary shares in issue of RM0.10 each ('000)</i>	<i>6,247</i>	<i>20,000</i>	<i>24,110</i>
<i>Gross earnings per share (sen)</i>	<i>125.98</i>	<i>32.49</i>	<i>42.31</i>
<i>Net earnings per share (sen)</i>	<i>125.98</i>	<i>32.46</i>	<i>42.30</i>

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of Smartag Solutions (Continued)****8.2.2 Audited Balance Sheets of Smartag Solutions**

	← As at 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	289	906	7,290
Investment in subsidiary companies	50	819	-
Investment in a jointly controlled entity	-	-	5,015
Intangible assets	729	786	4,232
Total non-current assets	1,068	2,511	16,537
Current assets			
Inventories	2,301	51	63
Trade receivables	6,739	28,512	11,611
Other receivables and deposits	859	1,533	29
Amount owing by subsidiary companies	-	278	-
Fixed deposits placed with a licensed bank	511	321	18
Cash and bank balances	2,903	228	926
	13,313	30,923	12,647
TOTAL ASSETS	14,381	33,434	29,184
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Smartag Solutions			
Share capital	2,000	2,000	17,000
Retained earnings	9,960	16,451	11,650
Total equity	11,960	18,451	28,650

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Smartag Solutions (Continued)

8.2.2 Audited Balance Sheets of Smartag Solutions (Continued)

	← As at 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
Current liabilities			
Trade payables	2,043	14,221	40
Other payables, deposits and accruals	318	153	494
Amount owing to a subsidiary company	60	-	-
Government grant	-	609	-
Tax payable	-	-	*
Total current liabilities	2,421	14,983	534
Total liabilities	2,421	14,983	534
TOTAL EQUITY AND LIABILITIES	14,381	33,434	29,184
<i>Number of ordinary shares</i>			
- RM1.00 each	-	-	-
- RM0.10 each	20,000	20,000	170,000
<i>Net tangible assets ("NTA") (RM)</i>	11,231	17,665	24,418
<i>NTA per ordinary share (sen)</i>	56.16	88.33	14.36
<i>Net assets ("NA") (RM)</i>	11,960	18,451	28,650
<i>NA per ordinary share (sen)</i>	59.80	92.26	16.85

* RM68.

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Smartag Solutions (Continued)

8.2.3 Audited Statements of Changes in Equity of Smartag Solutions

Attributable to equity holders of Smartag Solutions

	Share Capital RM'000	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
At October 2007	1,000	2,090	3,090
Issuance of shares	1,000	-	1,000
Net profit for the financial year	-	7,870	7,870
At 30 September 2008	2,000	9,960	11,960
Net profit for the financial year	-	6,491	6,491
At 30 September 2009	2,000	16,451	18,451
Bonus issue	15,000	(15,000)	-
Net profit for the financial year	-	10,199	10,199
At 30 September 2010	17,000	11,650	28,650

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13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of Smartag Solutions (Continued)****8.2.4 Audited Cash Flow Statements of Smartag Solutions**

	← FYE 30 September →		
	2008 RM'000	2009 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	7,870	6,498	10,200
Adjustments for:			
Allowance for doubtful debts	-	-	322
Amortisation of intangible asset	46	-	-
Deposit written off	-	-	13
Depreciation of property, plant and equipment	4	123	133
Gain on disposal of intangible asset	-	(40)	-
Impairment loss on investment in a subsidiary company	-	-	819
Interest expenses	-	-	8
Interest income	(36)	(19)	(6)
Property, plant and equipment written off	-	-	24
Unrealised loss on foreign exchange	-	-	119
Operating Profit Before Working Capital Changes	7,884	6,562	11,632
Changes in Working Capital			
Inventories	(2,301)	2,251	51
Receivables	(6,279)	(21,838)	18,274
Payables	1,703	12,012	(14,450)
	1,007	(1,013)	15,507
Tax paid	-	(7)	(1)
Net Operating Cash Flows	1,007	(1,020)	15,506

* RM382

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of Smartag Solutions (Continued)

8.2.4 Audited Cash Flow Statements of Smartag Solutions (Continued)

	←— FYE 30 September —→		
	2008 RM'000	2009 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
ACTIVITIES			
Product development cost incurred	-	(786)	(3,447)
Interest received	36	19	6
Investment in subsidiary companies	(50)	(769)	-
Net changes in amount owing by subsidiary companies	-	(278)	(44)
Investment in a jointly controlled entity	-	-	(5,015)
Proceeds from disposal of intangible asset	-	769	-
Purchase of property, plant and equipment	(290)	(740)	(6,603)
Net Investing Cash Flows	(304)	(1,785)	(15,103)
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Interest paid	-	-	(8)
Proceeds from the issuance of shares	1,000	-	-
Net changes in amount owing to a director	(16)	-	-
Net changes in amount owing to a subsidiary company	60	(60)	-
Net Financing Cash Flows	1,044	(60)	(8)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,747	(2,865)	395
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	1,667	3,414	549
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	3,414	549	944

13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of Smartag Solutions (Continued)****8.2.4 Audited Cash Flow Statements of Smartag Solutions (Continued)**

	← FYE 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Fixed deposits placed with licensed banks	511	321	18
Cash and bank balances	2,903	228	926
	3,414	549	944

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of Smartag Technologies

8.3.1 Audited Income Statements of Smartag Technologies

	10 months FPE 30 September 2008 RM'000	FYE 30 September 2009 RM'000	2010 RM'000
Revenue	1,260	-	-
Cost of sales	(1,175)	-	-
Gross profit	85	-	-
Other operating income	*	-	-
Other operating expenses	-	-	(8)
Administrative expenses	(45)	(38)	(43)
Operating profit/(loss)	40	(38)	(51)
Finance costs	-	-	-
Profit/(loss) before taxation	40	(38)	(51)
Taxation	-	-	-
Net profit/(loss) for the financial period/years	40	(38)	(51)
<i>Gross profit margin (%)</i>	6.75	N/A	N/A
<i>Profit before tax margin (%)</i>	3.17	N/A	N/A
<i>Effective tax rate (%)</i>	-	-	-
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>	50	50	50
<i>Gross earnings/losses per share (sen)</i>	96.00 ^	(76.00)	(102.00)
<i>Net earnings/losses per share (sen)</i>	96.00 ^	(76.00)	(102.00)

* RM68

N/A: Not Applicable

^ Annualised to twelve (12) months for comparison purposes.

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of Smartag Technologies (Continued)

8.3.2 Audited Balance Sheets of Smartag Technologies

	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	2	30	26
Total non-current assets	<u>2</u>	<u>30</u>	<u>26</u>
Current assets			
Deposits	-	11	14
Amount owing by holding company	60	-	-
Tax recoverable	-	8	-
Cash and bank balances	25	6	1
Total current assets	<u>85</u>	<u>25</u>	<u>15</u>
TOTAL ASSETS	<u>87</u>	<u>55</u>	<u>41</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Smartag Technologies			
Share capital	50	50	50
Retained earnings/(Accumulated losses)	32	(6)	(57)
Total equity	<u>82</u>	<u>44</u>	<u>(7)</u>
Current liabilities			
Trade payables	1	1	1
Other payables and accruals	4	3	8
Amount owing to holding company	-	7	39
Total current liabilities	<u>5</u>	<u>11</u>	<u>48</u>
Total liabilities	<u>5</u>	<u>11</u>	<u>48</u>
TOTAL EQUITY AND LIABILITIES	<u>87</u>	<u>55</u>	<u>41</u>

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of Smartag Technologies (Continued)

8.3.2 Audited Balance Sheets of Smartag Technologies (Continued)

	← As at 30 September →		
	2008	2009	2010
	RM'000	RM'000	RM'000
<i>Number of ordinary shares</i>			
<i>of RM1.00 each in issue ('000)</i>	50	50	50
<i>NTA (RM'000)</i>	82	44	(7)
<i>NTA per ordinary share (sen)</i>	164.00	88.00	(14.00)
<i>NA (RM'000)</i>	82	44	(7)
<i>NA per ordinary share (sen)</i>	164.00	88.00	(14.00)

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13. ACCOUNTANTS' REPORT (Cont'd)**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES****Accountants' Report****8. AUDITED FINANCIAL STATEMENTS (Continued)****8.3 Audited Financial Statements of Smartag Technologies (Continued)****8.3.3 Audited Statements of Changes in Equity of Smartag Technologies**

	Share Capital RM'000	<u>Distributable</u> (Accumulated Loss)/ Retained Earnings RM'000	Total Equity RM'000
At 1 December 2007	50	(8)	42
Net profit for the financial period	-	40	40
At 30 September 2008	50	32	82
Net loss for the financial year	-	(38)	(38)
At 30 September 2009	50	(6)	44
Net loss for the financial year	-	(51)	(51)
At 30 September 2010	50	(57)	(7)

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13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of Smartag Technologies (Continued)

8.3.4 Audited Cash Flow Statements of Smartag Technologies

	10 months		
	FPE	FYE 30 September	
	30 September	2009	2010
	2008	2009	2010
	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation	40	(38)	(51)
Adjustments for:			
Depreciation of property, plant and equipment	1	8	9
Tax recoverable written off	-	-	8
Operating Profit/(Loss) Before Working Capital Changes	41	(30)	(34)
Changes in Working Capital:			
Inventories	975	-	-
Receivables	*	(11)	(3)
Payables	22	(1)	5
Tax paid	1,038	(42)	(32)
Net Operating Cash Flows	-	(8)	-
	1,038	(50)	(32)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(3)	(36)	(5)
Net Investing Cash Flows	(3)	(36)	(5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares	-	-	-
Net changes in amount owing from holding company	(1,025)	67	32
Net Financing Cash Flows	(1,025)	67	32
NET CHANGE IN CASH AND CASHEQUIVALENTS			
	10	(19)	(5)
CASH AND CASHEQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/YEARS			
	15	25	6
CASH AND CASHEQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEARS			
	25	6	1
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	6	1

* (RM270)



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report8. AUDITED FINANCIAL STATEMENTS (Continued)
8.4 Audited Financial Statements of Smartag International
8.4.1 Audited Income Statements of Smartag International

	2008		2009		9 months* FPE 30 September 2010	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Administrative expenses	(57)	(190)	(68)	(239)	(25)	(83)
Operating loss	(57)	(190)	(68)	(239)	(25)	(83)
Finance costs	-	-	-	-	-	-
Loss before taxation	(57)	(190)	(68)	(239)	(25)	(83)
Taxation	-	-	-	-	-	-
Net loss for the financial years/period	(57)	(190)	(68)	(239)	(25)	(83)
Gross profit margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
Profit before tax margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
Effective tax rate (%)	-	-	-	-	-	-
Number of ordinary shares in issue of USD 0.001 each ('000)	10,137	10,137	10,137	10,137	10,137	10,137
Gross loss per share (sen)	(0.56)	(1.87)	(0.67)	(2.35)	(0.33)	(1.09)
Net loss per share (sen)	(0.56)	(1.87)	(0.67)	(2.35)	(0.33)	(1.09)

N/A: Not Applicable

^ Annualised to twelve (12) months for comparison purposes.

* The audited financial statements of Smartag International were prepared for the FYE 31 December 2009 and the eight (8) months financial period from 1 October 2009 to 31 May 2010. As such, there was an overlapping period from 1 October 2009 to 31 December 2009, which gave rise to the adjustment for the reversal of administrative expenses incurred by Smartag International for the financial period from 1 October 2009 to 31 December 2009 of USD4,772 (equivalent to RM16,809).



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of Smartag International (Continued)

8.4.2 Audited Balance Statements of Smartag International

	← 2008		As at 31 December 2009 →		As at 30 September 2010	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Current assets						
Cash and bank balances	-	-	10	34	5	15
TOTAL ASSETS	-	-	10	34	5	15
EQUITY AND LIABILITIES						
Equity attributable to equity holders of Smartag International						
Share capital	1,214	4,265	1,214	4,265	1,214	4,265
Exchange translation reserve	-	-	-	8	-	45
Accumulated losses	(1,241)	(4,359)	(1,309)	(4,598)	(1,334)	(4,681)
Total equity	(27)	(94)	(95)	(325)	(120)	(371)



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of Smartag International (Continued)

8.4.2 Audited Balance Statements of Smartag International (Continued)

	← As at 31 December 2008		2009		→ As at 30 September 2010	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Current liabilities						
Other payables and accruals	2	7	3	9	9	28
Secured revolving note payable to related party	-	-	77	264	91	282
Note payable	25	87	25	86	25	77
Total current liabilities	27	94	105	359	125	387
Total liabilities	27	94	105	359	125	387
TOTAL EQUITY AND LIABILITIES						
<i>Number of ordinary shares</i>						
<i>of USD0.001 each in issue ('000)</i>	10,137	10,137	10,137	10,137	10,137	10,137
<i>NTA (USD'000/RM'000)</i>	(27)	(94)	(95)	(325)	(120)	(371)
<i>NTA per ordinary share (sen)</i>	(0.27)	(0.93)	(0.93)	(3.21)	(1.18)	(3.66)
<i>NA (USD'000/RM'000)</i>	(27)	(94)	(95)	(325)	(120)	(371)
<i>NA per ordinary share (sen)</i>	(0.27)	(0.93)	(0.93)	(3.21)	(1.18)	(3.66)

13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of Smartag International (Continued)

8.4.3 Audited Statements of Changes in Equity of Smartag International

	Share Capital		<u>Non-distributable</u> Exchange		<u>Distributable</u> Accumulated		Total Equity	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
At 1 January 2008	1,148	4,045	-	5	(1,184)	(4,169)	(36)	(119)
Shares issued for services	*	^	-	-	-	-	*	^
Shares issued in exchange for debt with related party	50	167	-	-	-	-	50	167
Capital contribution from related party	16	53	-	-	-	-	16	53
Net loss for the financial year	-	-	-	-	(57)	(190)	(57)	(190)
Foreign currency translation	-	-	-	(5)	-	-	-	(5)
At 31 December 2008	1,214	4,265	-	-	(1,241)	(4,359)	(27)	(94)
Net loss for the financial year	-	-	-	-	(68)	(239)	(68)	(239)
Foreign currency translation	-	-	-	8	-	-	8	-
At 31 December 2009	1,214	4,265	-	8	(1,309)	(4,598)	(95)	(325)
Net loss for the financial period	-	-	-	-	(25)	(83)	(25)	(83)
Foreign currency translation	-	-	-	37	-	-	-	37
At 30 September 2010	1,214	4,265	-	45	(1,334)	(4,681)	(120)	(371)

* USD10

^ RM33



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of Smartag International (Continued)

8.4.4 Audited Cash Flow Statements of Smartag International

	2008		2009		FPE 30 September 2010	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before taxation	(57)	(190)	(68)	(239)	(25)	(83)
Adjustments for:						
Debt issued in exchange for services with a related party	25	83	-	-	-	-
Shares issued in exchange for services with a related party	50	167	-	-	-	-
Operating (Loss)/Profit Before Working Capital Changes	18	60	(68)	(239)	(25)	(83)
Changes in Working Capital:						
Payables	(34)	(113)	1	3	6	19
Net Operating Cash Flows	(16)	(53)	(67)	(236)	(19)	(64)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net Investing Cash Flows	-	-	-	-	-	-



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of Smartag International (Continued)

8.4.4 Audited Cash Flow Statements of Smartag International (Continued)

	2008		2009		9 months* FPE 30 September 2010	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from revolving note	-	-	77	270	14	45
Capital contribution from related parties	16	53	-	-	-	-
Net Financing Cash Flows	16	53	77	270	14	45
NET CHANGE IN CASH AND CASHEQUIVALENTS	-	-	10	34	(5)	(19)
CASH AND CASHEQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS/PERIOD	-	-	-	-	10	34
CASH AND CASHEQUIVALENTS AT THE END OF THE FINANCIAL YEARS/PERIOD	-	-	10	34	5	15
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	-	-	10	34	5	15



13. ACCOUNTANTS' REPORT (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Accountants' Report

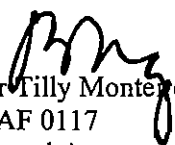
9. EVENTS AFTER BALANCE SHEET DATE

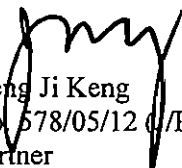
Other than as disclosed elsewhere in this Report, there were no other significant events between the date of the last audited financial statements used in the preparation of this Report and the date of this Report which will affect materially the content of this Report.

10. SUBSEQUENT AUDITED FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 30 September 2010 for the Company, its subsidiary companies and its jointly controlled entity.

Yours faithfully,


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

13. ACCOUNTANTS' REPORT (Cont'd)


**BAKER TILLY
MONTEIRO HENG**

Chartered Accountants (AF 0117)

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMARTAG SOLUTIONS BERHAD
(formerly known as Smartag Solutions Sdn. Bhd.)
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Smartag Solutions Berhad (formerly known as Smartag Solutions Sdn. Bhd.), which comprise the balance sheets as at 30th September 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 35.

The financial statements of the Group and of the Company as at 30th September 2007 was audited by another firm of chartered accountants whose report dated 18th December 2007 with an unqualified opinion on that financial statements.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30th September 2008 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiary company that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) The audit reports on the accounts of the subsidiary company did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng J Keng
No. 578/05/10 (JPH)
Partner

Kuala Lumpur

Date: 12 MAR 2009

13. ACCOUNTANTS' REPORT (Cont'd)


**BAKER TILLY
MONTEIRO HENG**

Chartered Accountants (AF 0117)

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMARTAG SOLUTIONS BERHAD
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Smartag Solutions Berhad, which comprise the balance sheets as at 30th September 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 40.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30th September 2009 and of their financial performance and cash flows for the financial year then ended.


Report on Other Legal and Regulatory Requirements

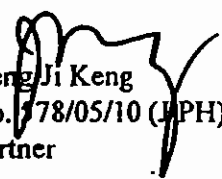
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which is indicated in Note 4 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 778/05/10 (JPH)
Partner

Kuala Lumpur

Date: 08 DEC 2009

13. ACCOUNTANTS' REPORT (Cont'd)



**BAKER TILLY
MONTEIRO HENG**

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMARTAG SOLUTIONS BERHAD
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Smartag Solutions Berhad, which comprise the balance sheets as at 30th September 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 49.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30th September 2010 and of their financial performance and cash flows for the financial year then ended.

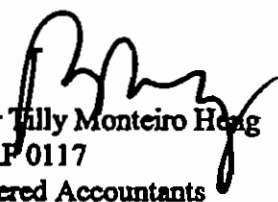
Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion:

- a) The accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of the subsidiary company of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiary company that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) Other than as disclosed in Note 4 to the financial statements, the audit reports on the financial statements of the subsidiary companies did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Baker Tilly Monteiro Heng
No. AP 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PE)
Partner

Kuala Lumpur

Date: 28th December 2010

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 600030-D



**BAKER TILLY
MONTEIRO HENG**

Chartered Accountants (AF 0117)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF SMARTAG TECHNOLOGIES SDN. BHD.
(Incorporated in Malaysia)**

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Report on the Financial Statements

We have audited the financial statements of Smartag Technologies Sdn. Bhd., which comprise the balance sheet of the Company as at 30th September 2008, and the income statement, statement of changes in equity and cash flow statement of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 19.

The financial statement of the Company as at 30th November 2007 was audited by another firm of chartered accountants whose report dated 5th May 2008 with an unqualified opinion on that financial statements.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 600030-D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30th September 2008 and of their financial performance and cash flows for the financial period then ended.

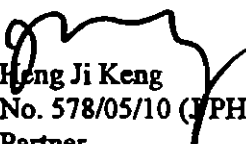
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/10 (JPH)
Partner

Kuala Lumpur

Date : 12 MAR 2009

13. ACCOUNTANTS' REPORT (Cont'd)


**BAKER TILLY
MONTEIRO HENG**

Chartered Accountants (AF 0117)

Company No. 600030-D

Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : audit@monteiroheng.com.my
www.monteiroheng.com.my

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMARTAG TECHNOLOGIES SDN. BHD.
(Incorporated in Malaysia)**
Report on the Financial Statements

We have audited the financial statements of Smartag Technologies Sdn. Bhd., which comprise the balance sheets as at 30th September 2009 of the Company, and the income statements, statements of changes in equity and cash flow statements of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 20.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 60030-D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30th September, 2009 and of its financial performance and cash flow for the financial year then ended.

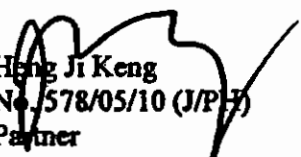
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provision of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/10 (J/P-F)
Partner

Kuala Lumpur

Date: 08 DEC 2009

13. ACCOUNTANTS' REPORT (Cont'd)



**BAKER TILLY
MONTEIRO HENG**

Company No. 600030-D

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Yun Sambanthan 3
50470 Kuala Lumpur, Malaysia
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email : info@monteiroheng.com.my
www.monteiroheng.com.my

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF SMARTAG TECHNOLOGIES SDN. BHD.**

Report on the Financial Statements

We have audited the financial statements of Smartag Technologies Sdn. Bhd., which comprise the balance sheet as at 30th September 2010, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 22.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 ("the Act") in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



an independent member of
**BAKER TILLY
INTERNATIONAL**

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 600030-D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the provisions of the Act in Malaysia so as to give a true and fair view of the financial position of the Company as of 30th September 2010 and of its financial performance and cash flows for the financial year then ended.

Emphasis of Matter


Without qualifying our opinion, we draw attention to Note 2 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM51,128/- during the financial year ended 30th September 2010, and as of that date, the Company's current liabilities exceeded its current assets by RM33,251/- and recorded a capital deficiency of RM7,352/-. The ability of the Company to continue as a going concern is dependent on the continuous financial support from its holding company to provide adequate funds for the Company to meet its liabilities as and when they fall due.

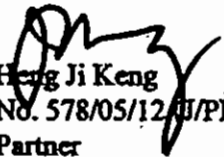
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Act in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Act in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 28th December 2010

13. ACCOUNTANTS' REPORT (Cont'd)



WEAVER & MARTIN

Report of Independent Registered Public Accounting Firm

Stockholders and Directors
Smartag International, Inc.
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheets of Smartag International, Inc. (a development stage company)(the "Company") as of December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended and for the period from March 24, 1999 (inception) to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smartag International, Inc. as of December 31, 2008 and 2007 and the consolidated results of its operations, stockholders' equity, and cash flows for the years then ended and for the period from March 24, 1999 (inception) to December 31, 2008 in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities, obtaining debt financing, or finding a suitable candidate for a business combination for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weaver & Martin, LLC

Weaver & Martin, LLC
Kansas City Missouri
July 22, 2009

Certified Public Accountants & Consultant
411 Valentine, Suite 300
Kansas City, Missouri 64111
Phone: (816) 756-5525
Fax: (816) 756-2252

13. ACCOUNTANTS' REPORT (Cont'd)



WEAVER & MARTIN

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Directors
Smartag International, Inc.
Scottsdale, Arizona

We have audited the accompanying balance sheets of Smartag International, Inc. (a development stage company)(the "Company") as of December 31, 2009 and 2008 and the related statements of operations, stockholders' equity, and cash flows for the years then ended and for the period from March 24, 1999 (inception) to December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smartag International, Inc. as of December 31, 2009 and 2008 and the results of its operations, stockholders' deficit, and cash flows for the years then ended and for the period from March 24, 1999 (inception) to December 31, 2009 in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities, obtaining debt financing, or finding a suitable candidate for a business combination for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weaver & Martin, LLC

Weaver & Martin, LLC
Kansas City Missouri
May 12, 2010

Certified Public Accountants & Consultants
411 Valentine, Suite 300
Kansas City, Missouri 64111
Phone: (816) 756-5525
Fax: (816) 756-2252

13. ACCOUNTANTS' REPORT (Cont'd)



WEAVER & MARTIN

**Independent Auditor's Report
to the Shareholders and Board of Directors of Smartag International, Inc.
Company Report on the Financial Statements**

We have audited the accompanying financial statements of Smartag International, Inc. which comprise the statement of financial position as of September 30, 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard ("IFRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, (or 'give a true and fair view of') the financial position of the group as of September 30, 2010, and its financial performance and its cash flows for the year then ended in accordance with the IFRS.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities, obtaining debt financing, or finding a suitable candidate for a business combination for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weaver & Martin, LLC
Weaver & Martin, LLC
December 27, 2010
Kansas City Missouri

Certified Public Accountants & Consultants
411 Valentine, Suite 300
Kansas City, Missouri 64111
Phone: (816) 756-5525
Fax: (816) 756-2252

14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON



**BAKER TILLY
MONTEIRO HENG**

Chartered Accountants (AF 0117)

9 March 2011

The Board of Directors
Smartag Solutions Berhad
Suite 2-1, 2nd Floor Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang

Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : audit@monteiroheng.com.my
www.monteiroheng.com.my

STRICTLY CONFIDENTIAL

Dear Sirs,

**SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We have reviewed the proforma consolidated financial information of Smartag Solutions Berhad ("Smartag Solutions") and its subsidiaries, including a jointly controlled entity (hereinafter collectively referred to as "Smartag Solutions Group") for the three (3) financial years ended 30 September 2008, 30 September 2009 and 30 September 2010, together with the accompanying notes thereto, for which the directors of Smartag Solutions are solely responsible, as set out in the accompanying statements, which we have stamped for the purpose of identification.

The proforma consolidated financial information of the Smartag Solutions Group has been prepared for illustrative purposes only for the inclusion in the prospectus in connection with the listing and quotation of the entire enlarged issued and paid-up share capital of Smartag Solutions on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"), after making certain assumptions and such adjustments to show the effects on:-

- (a) the financial results of the Smartag Solutions Group for the past three (3) financial years ended 30 September 2008 ("FYE 2008"), 30 September 2009 ("FYE 2009") and 30 September 2010 ("FYE 2010") on the basis that the current group structure had been in existence since the beginning of the financial years under review;
- (b) the financial position of the Smartag Solutions Group as at 30 September 2010 together with the accompanying notes;
- (c) the cash flow of the Smartag Solutions Group for the FYE 2010; and
- (d) the financial position of the Smartag Solutions Group as at 30 September 2010, adjusted for the public issue and the utilisation of listing proceeds as described in Notes 2.1 and 7.2.3 of the proforma consolidated financial information respectively.



**BAKER TILLY
MONTEIRO HENG**

14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

Our responsibility is to form an opinion on the proforma consolidated financial information prepared by the directors in accordance with the requirements of the *Prospectus Guidelines – Equity and Debt* issued by the Securities Commission and report to you based on our work. In providing this opinion, we are not updating or re-issuing any reports or opinions previously made by us on any financial information used in the compilation of the proforma consolidated financial information, nor do we accept the responsibility for such reports or opinions beyond that is owed to those to whom those letter or opinions were addressed to by us at the date of their issue.

Our work consisted primarily of comparing the proforma consolidated financial information to the following audited financial statements of the Smartag Solutions Group, and considering and discussing the necessary adjustments to the proforma consolidated financial information with the responsible officers of the Smartag Solutions Group:-

Company Name	FYE 2008	FYE 2009	FYE 2010
Smartag Solutions	Financial year ended (“FYE”) 30 September 2008	FYE 30 September 2009	FYE 30 September 2010
Smartag Technologies Sdn Bhd (“Smartag Technologies”) [#]	Ten (10) months FPE 30 September 2008	FYE 30 September 2009	FYE 30 September 2010
Smartag International, Inc (“Smartag International”) ^μ	FYE 31 December 2008*	FYE 31 December 2009*	FYE 30 September 2010*
Sure-Reach Smartag Sdn Bhd (formerly known as Uempirical Sdn Bhd) (“Sure-Reach Smartag”)	Not applicable [@]	Not applicable [@]	FPE 30 September 2010 ^{@*}

* Audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

A wholly-owned subsidiary of Smartag Solutions.

μ A 94.01% owned subsidiary of Smartag Solutions.

@ A 50% owned jointly controlled entity of Smartag Solutions of which the first set of audited financial statements is for the financial period from 11 March 2010 (the date of incorporation) to 30 September 2010.

14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES Proforma Consolidated Financial Information

Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements of Smartag Solutions for the FYE 2008, FYE 2009 and FYE 2010; and the audit of the financial statements of Smartag Technologies for the ten (10) months FPE 30 September 2008, the FYE 2009 and the FYE 2010, which have been drawn up by the directors in accordance with the Financial Reporting Standards in Malaysia and reported to the members of Smartag Solutions and Smartag Technologies respectively.

The audited financial statements of Smartag Solutions, its subsidiaries and its jointly controlled entity for the financial years/periods under review were reported by the auditors to their respective members without any modifications or qualifications except for the following audited financial statements:-

- (a) The audited financial statements of Smartag International for the FYE 31 December 2008, FYE 31 December 2009 and FYE 30 September 2010 which comprise of the following emphasis of matter paragraph in the auditors' report:-

"The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in notes to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities, obtaining debt financing, or finding a suitable candidate for a business combination for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

- (b) The audited financial statements of Smartag Technologies for the FYE 30 September 2010 which comprise of the following emphasis of matter paragraph in the auditors' report:-

"Without qualifying our opinion, we draw attention to Note 2 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM51,128 during the financial year ended 30 September 2010, and as of that date, the Company's current liabilities exceeded its current assets by RM33,251 and recorded a capital deficiency of RM7,352. The ability of the Company to continue as a going concern is dependent on the continuous financial support from its holding company to provide adequate funds for the Company to meet its liabilities as and when they fall due."

Despite the abovementioned auditors' reports of Smartag International and Smartag Technologies containing emphasis of matter paragraphs on their going concerns, the directors of Smartag Solutions are of the view that as Smartag International and Smartag Technologies are presently dormant and the losses incurred comprise mainly of statutory expenses incurred, therefore, there would not have any material financial impact on the financial results of the Smartag Solutions Group.

As the proforma consolidated financial information of the Smartag Solutions Group has been prepared for illustrative purposes only, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Smartag Solutions Group; and does not purport to predict the financial position and results of the Smartag Solutions Group.

14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)


SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

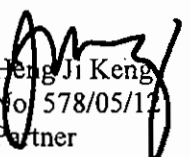
In our opinion:-

- (i) the proforma consolidated financial information of the Smartag Solutions Group have been properly prepared on the basis set out in the accompanying notes to the proforma consolidated financial information based on the audited financial statements of the Smartag Solutions Group for the financial years under review, which have been prepared in accordance with the Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Smartag Solutions Group in the preparation of its audited consolidated financial statements for the FYE 2010; and
- (ii) the adjustments made to the information used in the preparation of the proforma consolidated financial information of the Smartag Solutions Group are appropriate for the purposes of preparing the proforma consolidated financial information.

This letter has been prepared for inclusion in the prospectus of Smartag Solutions in connection with the Listing and is not to be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12
Partner

14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. INTRODUCTION

1.1 The proforma consolidated financial information of Smartag Solutions Berhad ("Smartag Solutions") and its subsidiaries, including a jointly controlled entity (hereinafter collectively referred to as "Smartag Solutions Group"), for which the directors of Smartag Solutions are solely responsible, have been prepared for illustrative purposes only, for inclusion in the prospectus of Smartag Solutions ("Prospectus") in connection with the listing and quotation of the entire enlarged issued and paid-up share capital of Smartag Solutions on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The proforma consolidated financial information may not, because of its nature, give a true picture of the actual financial position and results of the Smartag Solutions Group; and does not purport to predict the future financial position and results of the Smartag Solutions Group.

1.2 The proforma financial information comprises the following:-

- Section 4 : Proforma consolidated income statements of the Smartag Solutions Group for the three (3) financial years ended 30 September 2008 ("FYE 2008"), 30 September 2009 ("FYE 2009") and 30 September 2010 ("FYE 2010") on the basis that the current group structure had been in existence since the beginning of the financial years under review but before the public issue as described in Note 2.1;
- Section 5 : Proforma consolidated balance sheets as at 30 September 2010 of the Smartag Solutions Group together with the accompanying notes, before the public issue as described in Note 2.1;
- Section 6 : Proforma consolidated cash flow statement for the FYE 2010 of the Smartag Solutions Group, before the public issue as described in Note 2.1; and
- Section 7 : Proforma consolidated balance sheets of the Smartag Solutions Group as at 30 September 2010, adjusted for the public issue and the utilisation of listing proceeds as described in Notes 2.1 and 7.2.3 respectively.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

2. LISTING SCHEME

In conjunction with the listing and quotation of its entire enlarged share capital comprising 227,000,000 ordinary shares of RM0.10 each on the ACE Market of Bursa Securities, Smartag Solutions will undertake the listing scheme as set out below:-

2.1 Public Issue

In conjunction with the Listing, Smartag Solutions proposes to undertake a public issue of 57,000,000 new ordinary shares of RM0.10 each in Smartag Solutions ("Smartag Solutions Share or Shares") at an initial public offering price of RM0.31 per Smartag Solutions Share payable in full upon application comprising:-

- (a) 50,000,000 new Smartag Solutions Shares by way of private placement to identified eligible investors;
- (b) 5,000,000 new Smartag Solutions Shares made available for the eligible directors, employees and persons who have contributed to the success of Smartag Solutions; and
- (c) 2,000,000 new Smartag Solutions Shares made available for application by the Malaysian public.

(Collectively hereinafter referred to as "the Public Issue").

2.2 Listing

Upon the completion of the Public Issue, the entire enlarged issued and paid-up share capital of Smartag Solutions will be listed and quoted on the ACE Market of Bursa Securities ("Listing").



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES Proforma Consolidated Financial Information

3. BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

- 3.1 The proforma consolidated financial information has been prepared to illustrate that:-
- the financial results of the Smartag Solutions Group for the FYE 2008, FYE 2009 and FYE 2010 on the basis that the current group structure as of the date of the Prospectus had been in existence since the beginning of the financial years under review, but before the Public Issue as described in Note 2.1;
 - the financial position of the Smartag Solutions Group as at 30 September 2010 together with the accompanying notes, but before the Public Issue as described in Note 2.1;
 - the cash flows of the Smartag Solutions Group for the FYE 2010, but before the Public Issue as described in Note 2.1; and
 - the financial position of the Smartag Solutions Group as at 30 September 2010, adjusted for the Public Issue and the utilisation of listing proceeds as described in Notes 2.1 and 7.2.3 respectively.
- 3.2 Other than as stated below, the proforma consolidated financial information has been prepared based on the following audited financial statements of the Smartag Solutions Group:-

Company Name	FYE 2008	FYE 2009	FYE 2010
Smartag Solutions	Financial year ended ("FYE") 30 September 2008	FYE 30 September 2009	FYE 30 September 2010
Smartag Technologies Sdn Bhd ("Smartag Technologies") [#]	Ten (10) months FPE 30 September 2008	FYE 30 September 2009	FYE 30 September 2010
Smartag International, Inc ("Smartag International") ^μ	FYE 31 December 2008*	FYE 31 December 2009*	FYE 30 September 2010*
Sure-Reach Smartag Sdn Bhd (formerly known as Uempirical Sdn Bhd) ("Sure-Reach Smartag")	Not applicable [@]	Not applicable [@]	FPE 30 September 2010 ^{@*}

* Audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

A wholly-owned subsidiary of Smartag Solutions.

μ A 94.01% owned subsidiary of Smartag Solutions.

@ A 50% owned jointly controlled entity of Smartag Solutions of which the first set of audited financial statements is for the financial period from 11 March 2010 (the date of incorporation) to 30 September 2010.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES

Proforma Consolidated Financial Information

3. BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)

3.3 The audited financial statements of Smartag Solutions, its subsidiaries and its jointly controlled entity for the financial years under review were reported by the auditors to their respective members without any qualifications or modifications, except for the following audited financial statements:-

(a) The audited financial statements of Smartag International for the FYE 31 December 2008, FYE 31 December 2009 and FYE 30 September 2010 which comprise of the following emphasis of matter paragraph in the auditors' report:-

"The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in notes to the financial statements, the Company has suffered recurring losses from operations and is dependent upon the continued sale of its securities, obtaining debt financing, or finding a suitable candidate for a business combination for funds to meet its cash requirements. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

(b) The audited financial statements of Smartag Technologies for the FYE 30 September 2010 which comprise of the following emphasis of matter paragraph in the auditors' report:-

"Without qualifying our opinion, we draw attention to Note 2 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM51,128 during the financial year ended 30 September 2010, and as of that date, the Company's current liabilities exceeded its current assets by RM33,251 and recorded a capital deficiency of RM7,352. The ability of the Company to continue as a going concern is dependent on the continuous financial support from its holding company to provide adequate funds for the Company to meet its liabilities as and when they fall due."

Despite the abovementioned auditors' reports of Smartag International and Smartag Technologies containing emphasis of matter paragraphs on their going concerns, the directors of Smartag Solutions are of the view that as Smartag International and Smartag Technologies are presently dormant and the losses incurred comprise mainly of statutory expenses; therefore, there would not have any material financial impact on the financial results of the Smartag Solutions Group.

3.4 The proforma consolidated financial information of the Smartag Solutions Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of Smartag Solutions; and does not purport to predict the future financial position and results of the Smartag Solutions Group.

3.5 The proforma consolidated financial information of the Smartag Solutions Group have been properly prepared on the basis set out in the accompanying notes to the proforma consolidated financial information based on the audited financial statements of the Smartag Solutions Group for the financial years under review, which have been prepared in accordance with the Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Smartag Solutions Group in the preparation of its audited consolidated financial statements for the FYE 2010.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES Proforma Consolidated Financial Information

3. BASIS OF PREPARATION OF THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Continued)

- 3.6 The financial information of the Smartag Solutions Group is measured using the currency of the primary economic environment in which the Smartag Solutions Group operates. The functional currency of the Smartag Solutions Group is Ringgit Malaysia. For the preparation of this report, the financial information of Smartag International, a 94.01% owned foreign subsidiary of Smartag Solutions, which was prepared in United States Dollar ("USD") has been converted to Ringgit Malaysia ("RM") for information purposes only.

The exchange rates used for the purpose of this report are as follows:-

- (i) Income Statements (based on average of the exchange rates on the last day of each month during the financial years/period under review)

Financial Year Ended ("FYE")	Exchange Rate
FYE 31 December 2008	USD1 : RM3.3345
FYE 31 December 2009	USD1 : RM3.5225
FYE 30 September 2010	USD1 : RM3.2407

- (ii) Balance sheets (based on the closing rates at the respective reporting dates)

Reporting Date	Exchange Rate
As at 31 December 2008	USD1 : RM3.4675
As at 31 December 2009	USD1 : RM3.4265
As at 30 September 2010	USD1 : RM3.0855

(Source: Bank Negara Malaysia)

- 3.7 On 18 November 2008, Smartag International, then a 98.6% owned subsidiary of Smartag Solutions, had issued a Convertible Note for USD25,000 to Ventana Capital Partners, Inc. ("Ventana") for USD10,000 cash and USD15,000 in professional services provided by Ventana. The Convertible Note is due on 31 December 2010 and bears no interest. The Convertible Note may be converted at any time, at the option of the holder, into 5,000,000 shares of common stock of Smartag International at USD0.005 per share. On 31 December 2008, the Convertible Note was transferred to Venor, Inc ("Venor"), and Venor had on 1 November 2010 transferred the Convertible Note to Paul Matthews. Smartag International had on 1 November 2010 subsequently issued 500,000 shares of common stock. The shares were issued upon the conversion of the USD25,000 convertible note. Although the note had a stated conversion rate per share of USD0.005, the note was settled at a conversion rate of USD0.05 per share, or 500,000 shares.

On 10 November 2010, Smartag International had entered into a settlement agreement with Paul Matthews for the full settlement of the Convertible Note. Pursuant to the said agreement, the outstanding Convertible Note of USD25,000 as at the even date will be converted for 500,000 Smartag International's common stock as the full and final settlement for the Convertible Note ("Conversion of Convertible Note"). Following the issuance of additional 500,000 Smartag International common stocks, there was a dilution in Smartag Solutions' equity interest in Smartag International from 98.6% to 94.01%. Accordingly, the preparation of the proforma consolidated financial information had reflected Smartag Solutions' present equity interest in Smartag International of 94.01%.



14. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

4. **PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE SMARTAG SOLUTIONS GROUP**

4.1 The proforma consolidated income statements of the Smartag Solutions Group for the FYE 2008, FYE 2009 and FYE 2010 as set out below, for which the directors of Smartag Solutions are solely responsible, but before the Public Issue are to be read in conjunction with the notes thereto.

	← Proforma →		Audited
	FYE 2008 RM'000	FYE 2009 RM'000	FYE 2010 RM'000
Revenue	23,915	34,558	22,769
Cost of sales	(14,516)	(26,346)	(9,808)
Gross profit	9,399	8,212	12,961
Other income	36	59	1,406
Other expenses	-	-	(8)
Selling and distribution expenses	(42)	(233)	(375)
Administrative expenses	(968)	(1,532)	(3,615)
Operating profit	8,425	6,506	10,369
Finance costs	-	-	(9)
Share of result of a jointly controlled entity	-	-	(12)
Profit before taxation	8,425	6,506	10,348
Taxation	-	(7)	(1)
Net profit for the financial years	8,425	6,499	10,347
Earnings before depreciation, amortisation, interests and tax	8,440	6,618	10,484
Effective tax rate (%)	-	0.11	0.01
Gross profit margin (%)	39.30	23.76	56.92
Pretax margin (%)	35.23	18.83	45.45
Profit after tax margin (%)	35.23	18.81	45.44
Number of ordinary shares assumed to be in issue of RM0.10 each ('000) *	170,000	170,000	170,000
Gross Earnings Per Share ("EPS") (sen) (Note 4.2.6 refers)	4.96	3.83	6.09
Net EPS (sen) (Note 4.2.7 refers)	4.96	3.82	6.09



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES**Proforma Consolidated Financial Information****4. PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE SMARTAG SOLUTIONS GROUP (Continued)**

4.1 (Continued)

* *Number of Smartag Solutions' ordinary shares in issue prior to the Public Issue as described in Note 2.1.*

4.2 Notes to the proforma consolidated income statements are as follows:-

4.2.1 **Basis of Preparation**

The proforma consolidated income statements of the Smartag Solutions Group are prepared for illustrative purposes only and have been prepared based on the audited financial statements of the Smartag Solutions Group as mentioned in Note 3.2 and on the following basis:-

FYE	Basis of Preparation
-----	----------------------

FYE 2008	Combined income statements of Smartag Solutions for the FYE 30 September 2008, Smartag Technologies for the ten (10) months FPE 30 September 2008 and Smartag International for the FYE 31 December 2008, after adjusting for the reclassification of Smartag Solutions' revenue of RM0.975 million in the financial year ended 2007 to the FYE 2008 in order to facilitate the elimination of inter-company sales to Smartag Technologies of which Smartag Technologies had recognised the related revenue and costs in the FYE 2008 upon the completion of the said project. Amount billed by Smartag Solutions in the FYE 2007 was recognised as work-in-progress by Smartag Technologies in the FYE 2007. The reclassification of Smartag Solutions' cost of sales amounting to RM0.269 million from FYE 2009 was due to late billings in order to match with the related revenue recognised during the FYE 2008.
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FYE 2009	Combined income statements of Smartag Solutions for the FYE 30 September 2009, Smartag Technologies for the FYE 30 September 2009 and Smartag International for the FYE 31 December 2009, after adjusting for the reversal of administrative expenses incurred by Smartag International for the financial period from 1 October 2009 to 31 December 2009 of USD4,772 (equivalent to RM16,809) and the reclassification of Smartag Solutions' cost of sales from FYE 2009 to FYE 2008 as mentioned above.
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The audited financial statements of Smartag International were prepared for the FYE 31 December 2009 and the twelve (12) months financial period from 1 October 2009 to 30 September 2010 and as such, there was an overlapping period from 1 October 2009 to 31 December 2009 which gave rise to the adjustment of expenses.

FYE 2010	Based on the audited consolidated income statement of the Smartag Solutions Group for the FYE 30 September 2010.
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14. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

4. **PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE SMARTAG SOLUTIONS GROUP (Continued)**

4.2.1 **Basis of Preparation (Continued)**

4.2.2 The proforma consolidated income statements for the financial years under review have been prepared based on the audited financial statements of Smartag Solutions and its subsidiaries which have been prepared at different financial year ends and certain audited financial statements have been prepared for a period less and/or more than the twelve (12) months period.

4.2.3 The proforma consolidated income statements for the financial years under review have been prepared based on accounting policies consistent with those adopted in the preparation of the audited consolidated financial statements of the Smartag Solutions Group for the FYE 2010.

4.2.4 There were no exceptional items in all the financial years under review.

4.2.5 The issued and paid-up share capital of Smartag Solutions of 170,000,000 Smartag Solutions Shares is prior to the Public Issue.

4.2.6 The gross EPS is computed as profit before taxation over the number of Smartag Solutions' ordinary shares prior to the Public Issue.

4.2.7 The net EPS is computed as net profit for the financial years over the number of Smartag Solutions' ordinary shares prior to the Public Issue.

4.2.8 No diluted earnings per share is shown as there were no potential dilutive shares in issue during the financial years under review.

4.2.9 All significant inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

4.2.10 There were no share of results by the minority interests during the financial years under review as the losses applicable to the minority in Smartag International have exceeded the minority interest in the equity of Smartag International.

4.2.11 There was share of results of a jointly controlled entity based on first set of audited financial statements for the financial period from 11 March 2010 (*the date of incorporation*) to 30 September 2010 during the financial years under review.



14. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

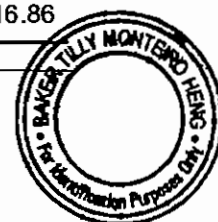
SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. **PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP**

5.1 The proforma consolidated balance sheet of the Smartag Solutions Group as set out below, for which the directors are solely responsible, should be read in conjunction with the notes accompanying thereto.

	Note	Smartag Solutions Group As at 30.9.2010 RM'000
Non-current assets		
Property, plant and equipment	5.2.3(a)	7,316
Investment in a jointly controlled entity	5.2.3(b)	5,003
Goodwill on consolidation	5.2.3(c)	-
Intangible assets	5.2.3(d)	4,232
Total non-current assets		16,551
Current assets		
Inventories	5.2.3(e)	63
Trade receivables	5.2.3(f)	11,611
Other receivables, deposits and prepayments	5.2.3(g)	43
Fixed deposits placed with a licensed bank	5.2.3(h)	18
Cash and bank balances		943
Total current assets		12,678
TOTAL ASSETS		29,229
EQUITY AND LIABILITIES		
Equity attributable to equity holder of Smartag Solutions		
Share capital	5.2.3(i)	17,000
Foreign currency translation reserve	5.2.3(j)	6
Retained earnings	5.2.3(k)	11,650
Total equity		28,656
Current liabilities		
Trade payables	5.2.3(l)	40
Other payables and accruals	5.2.3(m)	533
Tax payable		*
Total current liabilities		573
Total liabilities		573
TOTAL EQUITY AND LIABILITIES		29,229
Proforma net assets per ordinary share attributable to equity holders (sen)	5.2.3(p)	16.86

* RM68



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)

5.2 Notes to the Proforma Consolidated Balance Sheet of Smartag Solutions Group

5.2.1 Basis of Preparation and Consolidation

The proforma consolidated balance sheet of the Smartag Solutions Group as at 30 September 2010 is prepared based on the audited consolidated balance sheet of the Smartag Solutions Group as at 30 September 2010, adjusted for the conversion of the Convertible Note as described in Note 3.7.

5.2.2 The proforma consolidated balance sheet of the Smartag Solutions Group has been prepared based on the accounting policies consistent with those adopted in the preparation of the audited consolidated financial statements of the Smartag Solutions Group for the FYE 2010.

5.2.3 The proforma consolidated balance sheet of the Smartag Solutions Group should be read in conjunction with the notes below:-

(a) Property, Plant and Equipment

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Smartag Solutions Group			
As at 30 September 2010			
Computers	72	38	34
Information Technology equipment	840	186	654
Information Technology equipment under installation	6,528	-	6,528
Office equipment and furniture and fittings	119	27	92
Renovation	12	4	8
Total	7,571	255	7,316



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)
SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information
5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)
5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)
5.2.3 (Continued)
(b) Investment in a Jointly Controlled Entity

	Smartag Solutions Group As at 30.9.2010 RM'000
Unquoted share, at cost	5,015
Share of post-acquisition loss	(12)
	<u>5,003</u>

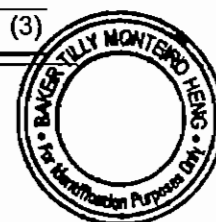
On 19 May 2010, Smartag Solutions entered into a joint venture agreement with Sure-Reach Worldwide Express Sdn. Bhd. to incorporate a jointly controlled entity, Sure-Reach Smartag with a total paid-up share capital of RM10,030,000 consisting of 10,030,000 ordinary shares of RM1 each. Smartag Solutions subscribed for 50% of the equity interests in Sure-Reach Smartag.

The details of the jointly controlled entity are as follows:-

Name of the Company	Country of Incorporation	Effective Equity Interest (%)	Principal Activities
Sure-Reach Smartag	Malaysia	50	Research and development of Information technologies

The Smartag Solutions Group's aggregate share of the current assets, non-current assets, current liabilities, income and expenses of the jointly controlled entity are as follows:-

	Smartag Solutions Group As at 30.9.2010 RM'000
Assets and liabilities	
Current assets	8
Non-current assets	10,000
Total assets	<u>10,008</u>
Current liabilities	(3)
Non-current liabilities	-
Total liabilities	<u>(3)</u>



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)

5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)

5.2.3 (Continued)

(b) Investment in a Jointly Controlled Entity (Continued)

	Smartag Solutions Group As at 30.9.2010 RM'000
Results	
Revenue	-
Expenses	(25)
	<u> </u>

(c) Goodwill on Consolidation

	Smartag Solutions Group As at 30.9.2010 RM'000
At the beginning of the financial year	864
Impairment of goodwill	(864)
At the end of the financial year	<u> </u>

Goodwill on consolidation arose from the acquisition of Smartag International. The Management of Smartag Solutions determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires the management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

During the FYE 2010, the Management of the Smartag Solutions Group made full impairment loss on the goodwill on consolidation arising from the acquisition of Smartag International in view that the said subsidiary has remained dormant since its acquisition by Smartag Solutions and the ability to generate any positive cash flow remained uncertain.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)
SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)
5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)
5.2.3 (Continued)
(d) Intangible Assets

	Cost RM'000	Accumulated Amortisation RM'000	Net Book Value RM'000
Smartag Solutions Group			
As at 30 September 2010			
Product Development Costs	4,232	-	4,232

The product development costs incurred were for the development of a new technology "Smartag Radio Frequency Identification ("RFID") Trial Project" in Pasir Gudang, Johor Port, which was financed by a grant provided by the Ministry of Science, Technology and Innovations ("MOSTI").

In connection with the Collaboration with CRUISE GPS Systems Sdn Bhd to develop a land fleet management system that incorporates GPS and RFID for real-time monitoring of vehicles, Smartag Solutions incurred project development costs of RM2.83 million. The total project development cost is estimated at RM3.54 million. The balance of the purchase consideration is disclosed as a capital commitment in Note 5.2.3(n)(ii).

(e) Inventories

	Smartag Group
	As at 30.9.2010
	RM'000
Work-in-progress	63

(f) Trade Receivables

The normal trade credit terms granted to the Smartag Solutions Group range from 1 to 30 days for FYE 30 September 2008 and FYE 30 September 2009 and 1 to 120 days for FYE 30 September 2010 respectively. Other credit terms are assessed and approved on a case-by-case basis.

The Smartag Solutions Group has significant concentration of credit risk in the form of outstanding balance due from a customer representing 64% of the total trade receivables as at 30 September 2010.



14. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. **PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)**

5.2 **Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)**

5.2.3 (Continued)

(f) **Trade Receivables (Continued)**

The currency exposure profile of trade receivables is as follows:-

	Smartag Solutions Group As at 30.9.2010 RM'000
Analysis of trade receivables by currency	
Ringgit Malaysia	4,235
United States Dollar	7,376
	11,611

An ageing analysis of the trade receivables of the Smartag Solutions Group as at 30 September 2010 is set out as follows:-

	Within standard credit period		Exceeding credit period of 120 days		Total RM'000
	0 – 60 days RM'000	61 – 120 days RM'000	121 - 150 days RM'000	> 151 days RM'000	
Trade receivables	8,466	1,148	1,958	39	11,611
<i>Less: Allowance for doubtful debts</i>	-	-	-	-	-
Net trade receivables	8,466	1,148	1,958	39	11,611
% of total receivables	72.91	9.89	16.86	0.34	100.00

As at 30 September 2010, there were approximately RM2.0 million or 17.20% of the trade receivables outstanding as at 30 September 2010, which have exceeded the credit period, has been subsequently collected.

As at 31 January 2011, RM3.88 million which represents 33.40% of the total outstanding receivables of RM11.61 million as at 30 September 2010 had been collected.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)

5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)

5.2.3 (Continued)

(g) Other Receivables, Deposit and Prepayments

	Smartag Solutions Group As at 30.9.2010 RM'000
Deposits	43
	<u>43</u>

(h) Fixed Deposits Placed with a Licensed Bank

The fixed deposits bear interest at the rate of 2.00% to 2.25% per annum and have maturity periods ranging from 1 to 12 months.

(i) Share Capital

	Smartag Solutions	
	Number of	
	Ordinary Shares	
	Unit '000	RM'000
Ordinary shares of RM0.10 each		
Authorised		
At 1 October 2009 / 30 September 2010	<u>250,000</u>	<u>25,000</u>
Issued and fully paid-up:		
At 1 October 2009	20,000	2,000
Bonus shares issued during the financial year	150,000	15,000
At 30 September 2010	<u>170,000</u>	<u>17,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of Smartag Solutions. All shares rank equally with regard to Smartag Solutions' residual assets.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)

5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)

5.2.3 (Continued)

(i) Share Capital (Continued)

On 21 September 2010, Smartag Solutions had completed the bonus issue of 150,000,000 new Smartag Solutions shares of RM0.10 each amounting to RM15,000,000 by way of capitalisation from the retained earnings account. Accordingly, the issued and paid-up share capital of Smartag Solutions increased to RM17,000,000 comprising 170,000,000 ordinary shares of RM0.10 each.

(j) Foreign Currency Translation Reserve

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a foreign subsidiary into the Smartag Solutions Group's presentation currency.

(k) Retained Earnings

	Smartag Solutions Group As at 30.9.2010 RM'000
At the beginning of the financial year	16,226
Net profit for the financial year	10,347
Capitalised as bonus shares	(15,000)
At the end of the financial year	<u>11,573</u>
Gain arising from the dilution in the equity interest in Smartag International	77
	<u>11,650</u>

(l) Trade Payables

The normal trade credit terms granted to the Smartag Solutions Group range from 1 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.



14. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. **PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)**

5.2 **Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)**

5.2.3 (Continued)

(i) **Trade Payables (Continued)**

An ageing analysis of the trade payables of the Smartag Solutions Group as at 30 September 2010 is set out as follows:-

	Within standard credit period		Exceeding credit period of 90 days		Total RM'000
	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	
	RM'000	RM'000	RM'000	RM'000	
Trade payables	-	-	-	40	40
% of total payables	-	-	-	100%	100%

(m) **Other Payables and Accruals**

	Smartag Solutions Group As at 30.9.2010 RM'000
Other payables	105
Accruals	428
	533
Analysis of other payables and accruals by currency	
Ringgit Malaysia	503
United States Dollar	30
	533

Other Payables

On 18 November 2008, Smartag International, then a 98.6% owned subsidiary of Smartag Solutions, had issued a Convertible Note for USD25,000 to Ventana Capital Partners, Inc. ("Ventana") for USD10,000 cash and USD15,000 in professional services provided by Ventana. The Convertible Note is due on 31 December 2010 and bears no interest. The Convertible Note may be converted at any time, at the option of the holder, into 5,000,000 shares of common stock of Smartag International at USD0.005 per share. On 31 December 2008, the Convertible Note was transferred to Venor, Inc ("Venor"), and Venor had on 1 November 2010 subsequently transferred the Convertible Note to Paul Matthews



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)
5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)
5.2.3 (Continued)
(m) Other Payables and Accruals (Continued)

On 10 November 2010, Smartag International had entered into a settlement agreement with Paul Matthews for the full settlement of the Convertible Note. Pursuant to the said agreement, the outstanding Convertible Note of USD25,000 as at the even date will be converted for 500,000 Smartag International's common stock as the full and final settlement for the Convertible Note ("Conversion of Convertible Note"). Following the issuance of additional 500,000 Smartag International common stocks, there was a dilution in Smartag Solutions' equity interest in Smartag International from 98.60% to 94.01%.

(n) Commitments
(i) Loan Commitment

On 17 March 2009, Smartag Solutions had entered into a Revolving Promissory Note ("Secured Note") with Smartag International, a then 98.6% owned subsidiary. Under the terms of the Secured Note, Smartag Solutions agreed to advance to Smartag International, from time to time and at the request of Smartag International, amounts up to an aggregate of USD200,000 until 31 December 2010. The advances are made to finance the statutory expenses of Smartag International as Smartag International is currently dormant. All advances are interest free and shall be paid on or before 31 December 2010, unless mutually agreed by both parties for the extension of time. The Secured Note ranks senior to all current and future indebtedness of Smartag International and is secured by substantially all of the assets of Smartag International. As at 30 September 2010, a total of USD91,452 (equivalent to RM282,357) has been advanced to Smartag International pursuant to the Secured Note.

(ii) Other Commitment

As at 30 September 2010, there are project development costs amounting to RM707,500 which have been approved and contracted for but not provided for in the consolidated financial statements.

(o) Financial Instruments
(i) Financial Risk Management Objectives and Policies

The Smartag Solutions Group seeks to manage effectively the various risks namely credit, liquidity, foreign currency and interest rate risks, to which the Smartag Solutions Group is exposed to in its daily operations.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)
5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)
5.2.3 (Continued)
(o) Financial Instruments (Continued)
(i) Financial Risk Management Objectives and Policies (Continued)
(a) Credit Risk

The management has a credit policy in place to monitor and minimise the exposure of default. Receivables are monitored on a regular and ongoing basis.

As at balance sheet date, the Smartag Solutions Group has significant concentration of credit risk in the form of outstanding balances due from a customer representing 64% of the total trade receivables.

(b) Liquidity Risk

The Smartag Solutions Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Smartag Solutions Group maintains sufficient levels of cash and cash equivalents to meet their working capital requirements.

(c) Interest Rate Risk

The Smartag Solutions Group's primary interest rate risk relates to interest bearing debts as at 30 September 2010. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

Financial Asset	Effective	Within	>1	Total
	Interest	1 Year	Year	
	Rate	RM'000	RM'000	RM'000
	%			
Fixed deposits placed with a licensed bank	2.00 - 2.25	18	-	18

(d) Foreign Currency Risk

During the financial year, the Smartag Solutions Group incurs foreign currency risk on transactions that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD"). Exposures to foreign currency risks are monitored on an ongoing basis.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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5. PROFORMA CONSOLIDATED BALANCE SHEET OF THE SMARTAG SOLUTIONS GROUP (Continued)
5.2 Notes to the Proforma Consolidated Balance Sheet of the Smartag Solutions Group (Continued)
5.2.3 (Continued)
(o) Financial Instruments (Continued)
(i) Financial Risk Management Objectives and Policies (Continued)
(d) Foreign Currency Risk (Continued)

The Smartag Solutions Group does not consider it necessary to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currencies, given the nature of the business for the time being.

(ii) Fair Values
(a) Recognised Financial Instruments

In the opinion of the directors of Smartag Solutions, there were no significant differences between the fair values and the book values of the financial assets and financial liabilities.

(b) Unrecognised Financial Instruments

There were no unrecognised financial instruments as at 30 September 2010.

(p) Proforma Net Assets

	Smartag Solutions Group As At 30.9.2010
Proforma net assets ('000)	28,656
Number of ordinary shares in issue ('000) ^	170,000
Proforma net assets per ordinary share of RM0.10 each (sen)	16.86

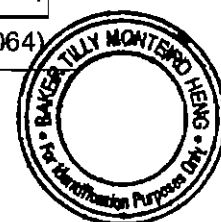
^ Number of ordinary shares in issue after the conversion of the Convertible Note as described in Note 3.7 but before the Public Issue as described in Note 2.1.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)
SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information
6. PROFORMA CONSOLIDATED CASH FLOW STATEMENT OF THE SMARTAG SOLUTIONS GROUP

- 6.1 The proforma consolidated cash flow statement of the Smartag Solutions Group as set out below, for which the directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated cash flow statement of the Smartag Solutions Group for the FYE 2010 prior to the Public Issue as described in Note 2.1, and should be read in conjunction with the notes accompanying thereto.

	Smartag Solutions Group FYE 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	10,348
Adjustments for:	
Deposit written off	13
Depreciation expenses	142
Foreign currency reserve	8
Impairment on goodwill	864
Interest expense	8
Interest income	(6)
Property, plant and equipment written off	24
Share of result of a jointly controlled entity	12
Unrealised loss on foreign exchange	85
Operating profit before working capital changes	11,498
Changes in Working Capital	
Inventories	51
Receivables	18,305
Payables	(14,463)
	15,391
Tax paid	7
Net Operating Cash Flows	15,398
CASH FLOWS FROM INVESTING ACTIVITIES	
Product development costs incurred	(3,447)
Interest received	6
Investment in a jointly controlled entity	(5,015)
Purchase of property, plant and equipment	(6,608)
Net Investing Cash Flows	(15,064)



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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6. PROFORMA CONSOLIDATED CASH FLOW STATEMENT OF THE SMARTAG SOLUTIONS GROUP (Continued)

	Smartag Solutions Group FYE 2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITY	
Interest paid	(8)
Net Financing Cash Flows	(8)
NET CHANGE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	635
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	961
ANALYSIS OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	943
Fixed deposits placed with a licensed bank	18
	961

6.2 Notes to the Proforma Consolidated Cash Flow Statement of the Smartag Solutions Group

6.2.1 Basis of Preparation and Consolidation

The proforma consolidated cash flow statement of the Smartag Solutions Group, for which the directors are solely responsible, are prepared for illustrative purposes only, to show the effects on the audited consolidated cash flow statement of the Smartag Solutions Group for the FYE 2010 prior to the Public Issue as described in Note 2.1.

The proforma consolidated cash flow statement of the Smartag Solutions Group for the FYE 2010 is prepared based on the audited consolidated cash flow statement of the Smartag Solutions Group for the FYE 2010.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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7. PROFORMA CONSOLIDATED BALANCE SHEETS

7.1 The proforma consolidated balance sheets of the Smartag Solutions Group as set out below, for which the directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated balance sheet of the Smartag Solutions Group as at 30 September 2010 had the adjustments as described in Notes 7.2.4 and the listing scheme as described in Note 2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Smartag Solutions Group		Smartag Solutions Group		Proforma I		Proforma II	
	Audited Consolidated Balance Sheet As At 30.9.2010 RM'000	Adjusted Consolidated Balance Sheet As At 30.9.2010 RM'000	Smartag Solutions Group Balance Sheet As At 30.9.2010 RM'000	Adjusted Consolidated Balance Sheet As At 30.9.2010 RM'000	After the Public Issue RM'000	After Proforma I and the Utilisation of Proceeds RM'000	After Proforma I and the Utilisation of Proceeds RM'000	After Proforma II and the Utilisation of Proceeds RM'000
Non-current assets								
Property, plant and equipment	7,316	7,316	7,316	7,316	7,316	16,151	16,151	16,151
Investment in a jointly controlled entity	5,003	5,003	5,003	5,003	5,003	5,003	5,003	5,003
Intangible assets	4,232	4,232	4,232	4,232	4,232	7,589	7,589	7,589
Total non-current assets	16,551	16,551	16,551	16,551	16,551	28,743	28,743	28,743
Current assets								
Inventories	63	63	63	63	63	63	63	63
Trade receivables	11,611	11,611	11,611	11,611	11,611	11,611	11,611	11,611
Other receivables, deposits and prepayments	43	43	43	43	43	43	43	43
Fixed deposits placed with a licensed bank	18	18	18	18	18	18	18	18
Cash and bank balances	943	943	943	943	18,613	4,477	4,477	4,477
Total current assets	12,678	12,678	12,678	12,678	30,348	16,212	16,212	16,212
TOTAL ASSETS	29,229	29,229	29,229	29,229	46,899	44,955	44,955	44,955



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
Proforma Consolidated Financial Information

	Smartag Solutions Group Audited Consolidated Balance Sheet As At 30.9.2010 RM'000	Smartag Solutions Group Adjusted Consolidated Balance Sheet As At 30.9.2010 RM'000	Proforma I After the Public Issue RM'000	Proforma II After Proforma I and the Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES				
Equity attributable to equity holder of Smartag Solutions				
Share capital	17,000	17,000	22,700	22,700
Share premium	-	-	11,970	11,173
Foreign currency translation reserve	6	6	6	6
Retained earnings	11,573	11,650	11,650	10,503
Total equity	28,579	28,656	46,326	44,382
Current liabilities				
Trade payables	40	40	40	40
Other payables and accruals	610	533	533	533
Tax payable	*	*	*	*
Total current liabilities	650	573	573	573
Total liabilities	650	573	573	573
TOTAL EQUITY AND LIABILITIES	29,229	29,229	46,899	44,955



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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7. PROFORMA CONSOLIDATED BALANCE SHEETS (Continued)

	Smartag Solutions Group Audited Consolidated Balance Sheet As At 30.9.2010 RM'000	Smartag Solutions Group Adjusted Consolidated Balance Sheet As At 30.9.2010 RM'000	Proforma I After the Public Issue RM'000	Proforma II After Proforma I and the Utilisation of Proceeds RM'000
Number of ordinary shares of RM0.10 each ('000)	170,000	170,000	227,000	227,000
Net assets (RM'000)	28,579	28,656	46,326	44,382
Net assets per share (sen)	16.81	16.86	20.41	19.55
Net tangible assets (RM'000)	24,347	24,424	42,094	36,793
Net tangible assets per share (sen)	14.32	14.37	18.54	16.21

* RM68



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES Proforma Consolidated Financial Information

7. PROFORMA CONSOLIDATED BALANCE SHEETS (Continued)

7.2 Notes to the proforma consolidated balance sheets are as follows:-

7.2.1 Basis of Preparation

The proforma consolidated balance sheets of the Smartag Solutions Group, for which the directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated balance sheets of the Smartag Solutions Group as at 30 September 2010 had the adjustments as described in Note 7.2.4 and the listing scheme described in Section 2 been effected on that date, and should be read in conjunction with the notes accompanying thereto, and are prepared based on the audited consolidated balance sheets of the Smartag Solutions Group as at 30 September 2010.

7.2.2 The proforma consolidated balance sheets of the Smartag Solutions Group have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Smartag Solutions Group in the preparation of its audited consolidated financial statements for the FYE 2010, which have been prepared in accordance with the Financial Reporting Standards in Malaysia.

7.2.3 The proceeds from the Public Issue would be utilised in the following manner:-

	RM'000	%
Project related capital expenditure	8,835	50
R&D expenditure and R&D related capital expenditure	3,357	19
Smartag Solutions Group's working capital purposes	3,534	20
Defayment of estimated expenses in relation to the Listing	1,944	11
	17,670	100

7.2.4 Prior to the implementation of the listing scheme as described in Section 2, the audited consolidated balance sheet of the Smartag Solutions Group as at 30 September 2010 has adjusted for the gain arising from the dilution in Smartag Solutions' equity interest in Smartag International of approximately RM0.014 million as described in Note 3.7.

The Conversion of Convertible Note has the following impact on the adjusted consolidated balance sheet of the Smartag Solutions Group:-

	Increase/ (Decrease) Effects on Total Equity and Total Liabilities RM'000
Other payables and accruals	(77)
Retained earnings	77
	-



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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7. PROFORMA CONSOLIDATED BALANCE SHEETS (Continued)

7.2.5 The proforma consolidated balance sheets should be read in conjunction with the notes below:-

(a) **Proforma I**

Proforma I incorporates the cumulative effects of the adjusted consolidated balance sheet of Smartag International and the Public Issue of 57,000,000 new Smartag Solutions Shares at an issue price of RM0.31 per ordinary share amounting to RM17.67 million.

The Public Issue has the following impact on the proforma consolidated balance sheets of the Smartag Solutions Group:-

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	17,670	-
Share capital	-	5,700
Share premium	-	11,970
	17,670	17,670

(b) **Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and the utilisation of proceeds from the Public Issue of RM17.67 million.

The proceeds expected from the Public Issue of RM17.67 million will be utilised in the manner as described in Note 7.2.3 of the proforma consolidated financial information.

The estimated expenses for the issuance of new shares of RM0.797 million will be written off against the share premium account pursuant to Section 60(3) of the Companies Act, 1965. The remaining estimated expenses for the Listing of RM1.147 million will be debited to the Retained Earnings Account.

The proceeds arising from the Public Issue of RM8.835 million will be used for capital expenditure and a total of RM3.357 million earmarked for research and development and related expenditure will be debited to Property, Plant and Equipment Account and Development Expenditure Account (assumed that the development expenditure to be incurred meet the criteria for capitalisation pursuant to FRS 138 Intangible Assets) respectively.

The balance earmarked for the Smartag Solutions Group's working capital of RM3.534 million will be included in the Cash and Bank Balances Account.



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)
SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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7. PROFORMA CONSOLIDATED BALANCE SHEETS (Continued)
7.2.5 (Continued)
(b) Proforma II (Continued)

The Utilisation of Proceeds has the following impact on the proforma consolidated balance sheets of the Smartag Solutions Group:-

	Increase/(Decrease) Effects on Total Assets RM'000	Effects on Total Equity RM'000
Property, plant and equipment	8,835	-
Development expenditure	3,357	-
Cash and bank balances	(14,136)	-
Share premium	-	(797)
Retained earnings	-	(1,147)
	(1,944)	(1,944)

7.2.6 Movements are share capital, share premium and retained earnings are as follows:-

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000
Audited consolidated balance sheet as at 30 September 2010	17,000	-	11,573
Arising from Conversion of Convertible Notes - gain on dilution in equity interest in Smartag International	-	-	77
Per adjusted consolidated balance sheet as at 30 September 2010	17,000	-	11,650
Arising from the Public Issue	5,700	11,970	-
Per Proforma I	22,700	11,970	11,650
Arising from the Utilisation of Proceeds - defrayment of estimated listing expenses	-	(797)	(1,147)
Per Proforma II	22,700	11,173	10,503



14. PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SMARTAG SOLUTIONS BERHAD AND ITS SUBSIDIARIES
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7. PROFORMA CONSOLIDATED BALANCE SHEETS (Continued)

7.2.7 Movements in cash and bank balances are as follows:-

	RM'000
Audited consolidated balance sheet as at 30 September 2010	943
Arising from Conversion of Convertible Notes	-
Per adjusted consolidated balance sheet as at 30 September 2010	<u>943</u>
Arising from the Public Issue	17,670
Per Proforma I	<u>18,613</u>
Arising from the Utilisation of Proceeds	
- payments for capital expenditure	(8,835)
- payments for research and development and related expenditure	(3,357)
- defrayment of estimated listing expenses	(1,944)
Per Proforma II	<u>4,477</u>

* Included in the cash and bank balances as per Proforma II is an amount of RM3.534 million from the Public Issue earmarked for the Smartag Solutions Group's working capital purposes as described in Section 7.2.3.



15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of the issue of this Prospectus.
- (ii) As at the date of this Prospectus, none of our Group's capital is under option or agreed conditionally or unconditionally to be put under option.
- (iii) Save for the Issue Shares reserved for our eligible directors and employees as disclosed in Section 3.2.1 (ii) of this Prospectus;
 - a) None of our Group's Director or employee has been or is entitled to be given or has exercised any option to purchase or subscribe for any shares, stocks or debentures of our Group; and
 - b) There is currently no scheme involving our Directors or employees of our Group.
- (iv) There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities in general save for compliance with applicable Malaysian law and / or the Memorandum and Articles of Association of our Company.

15.2 ARTICLES OF ASSOCIATION

Please refer to Section 9.3.4 of this Prospectus for the relevant Articles of Association relating to remunerations, voting and borrowing powers of our Directors. The following provisions are relating to the transfer of securities and changes in capital and variation of class rights as reproduced from our Articles of Association. The words and expressions appearing in the following provisions shall bear the same meaning used in the articles unless they are otherwise defined here or the context otherwise requires:

(a) Transfer of Shares

The provisions in the Articles in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:

Article 27 *The transfer of any listed Securities or class of listed Securities of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities.*

Article 28 *Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) market days prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.*

15. ADDITIONAL INFORMATION (Cont'd)

Article 29 The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules.

Article 30 Subject to the provisions of these Articles, the Directors may recognize a renunciation of any share by the allottee thereof in favour of some other person.

(b) Changes in Capital and Variation of Class Rights

The provisions in the Articles as to changes in the share capital and variation of class rights are as follows:

Article 4 Subject to the Act and to these Articles, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

Article 5 Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:-

- (a) no shares shall be issued at a discount except in compliance with the provisions of Section 59 of the Act;*
- (b) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles and in the resolution creating the same; and*
- (c) every issue of shares or options to employees shall be approved by Members in general meeting and such approval shall specifically detail the amount of shares or options to be issued to such employees; and*
- (d) Except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, a Director of the Company shall not participate, directly or indirectly, in an issue of ordinary shares or other securities with rights of conversion to ordinary shares or in a share scheme for employees unless the shareholders of the Company have approved the specific allotment to be made to the Director and the Director has abstained from voting on the relevant resolution.*

15. ADDITIONAL INFORMATION (Cont'd)

- (e) *Without limiting the generality of Section 132D of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares if the nominal value of those shares or securities, when aggregated with the nominal value of any such shares or securities which the Company has issued during the preceding twelve (12) months, exceeds 10% of the nominal value of the issued and paid-up capital (excluding treasury shares) of the Company, except where the shares or securities are issued with the prior shareholder approval in a general meeting of the precise terms and conditions of the issue.*
- (f) *In working out the number of shares or securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares into which it can be converted or exercised.*

Article 6 Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and/ or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months and the right to a return of capital is in preference to holders of ordinary shares when the Company is wound up.

Article 7 Notwithstanding Article 6 hereof, the repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholder's rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Article 8 If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than three-fourths of the issued shares of that class within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

15. ADDITIONAL INFORMATION (Cont'd)

To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons who are shareholders present in person or represented by proxy, one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall with such adaptations as are necessary, apply.

- Article 9 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.*
- Article 25 The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the money uncalled and unpaid upon any shares held by him, and upon all or any part of the money so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per cent (8%) per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, capital paid in advance of calls shall not, until the same would have become payable, be treated as paid up on the shares in respect of which they have been paid.*
- Article 52 The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorizing such increase, direct.*
- Article 53 Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article.*

15. ADDITIONAL INFORMATION (Cont'd)

- Article 54 Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.*
- Article 55 The Company may by ordinary resolution:-*
- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;*
 - (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*
 - (c) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; and*
 - (d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.*
- Article 56 Subject to and in accordance with the provisions of the Act and the requirements of the Exchange and such other relevant law, regulation or guideline, the Company is allowed and shall have power, to the fullest extent permitted, to purchase its own shares. Any shares in the Company so purchased by the Company shall be dealt with as provided by the Act, the requirements of the Exchange and any other relevant authority.*
- Article 57 The Company may by the special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any authorization, and consent required by law.*

15. ADDITIONAL INFORMATION (Cont'd)

15.3 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are material (including contracts not reduced into writing and contracts not being entered into in the ordinary course of business) that have been entered into by our Group within the two (2) years immediately prior to the LPD:-

- (a) Fleet Management System Development and Customisation Agreement dated 9 June 2010 between our company and CRUiSE GPS Systems Sdn Bhd for the development and customization of the Fleet Management System for Smartag that incorporates GPS and RFID for real time monitoring of vehicle. The project cost is estimated at RM3.54 million. More information is detailed in 5.4.4(iv) of this Prospectus;
- (b) Joint-Venture Agreement between Sure-Reach Worldwide Express Sdn Bhd, our Company and Uempirical Sdn Bhd (currently known as Sure-Reach Smartag) and our Company on 19 May 2010 to establish a joint-venture (ie. Sure-Reach Smartag) for carrying out the business of providing RFID software solutions and integration especially for courier and logistics services and record management. The paid-up and issued capital of Sure-Reach Smartag is currently RM10 million divided into 10 million ordinary shares with a par value of RM1.00 each of which Sure-Reach Worldwide Express Sdn Bhd and our Company had each contributed RM5million in cash towards the paid-up capital. More information is detailed in Section 4.2.3 of this Prospectus;
- (c) Underwriting Agreement dated 3 March 2011 between our Company and the Underwriter, for the underwriting of 7,000,000 Issue Shares made available for application under the Public Offer for an underwriting commission of 2.5% of the Issue Price;
- (d) Placement Agreement dated 1 March 2011 between our Company and KIBB for the placement of 50,000,000 Issue Shares for a placement fee of 2.0% of the Issue Price; and
- (e) Placement Management Agreement dated 1 March 2011 between our Company and KIBB for the management of the Private Placement in respect of the Issue Shares, for a placement management fee of 0.5% of the Issue Price for 50,000,000 Issue Shares.
- (f) Sponsorship Agreement dated 28 February 2011 between our Company and KIBB for the sponsorship of our Listing for fees of RM150,000 for a period of one (1) year commencing from the date of our admission to the Official list of Bursa Securities.

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15. ADDITIONAL INFORMATION (Cont'd)

15.4 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as below, neither we nor our subsidiary company are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on our Group's financial position and our Directors do not have any knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group as the LPD:-

Date of Suit, Suit number and Court	Parties	Background	Status	Solicitors' Opinion on Outcome
14.04.2009 Johor Bahru High Court Civil Suit No: 22-301-2009	<p><u>Plaintiff</u> Smartag Solutions Berhad</p> <p><u>Defendants</u> G.T. & T. Engineering Pte Ltd. G.T. & T. Engineering (M) Sdn Bhd</p>	Our Company is claiming against both the defendants being G.T. & T. Engineering Pte Ltd and G.T. & T. Engineering (M) Sdn Bhd an amount of RM850,000.00 for the supply of 30,000 units of inferior RFID tags to Johor Port Berhad.	G.T. & T. Engineering Pte Ltd has applied to strike out as a party to the suit for not complying with service of the cause papers out of jurisdiction which was granted by the Johor Bahru High Court with liberty to file afresh. G.T. & T. Engineering (M) Sdn Bhd still remains a party to the suit. Our solicitors have filed the notice to attend pre-trial case management in court on 28 December 2010 for the Johor Bahru High Court to fix the case management date and are pending a case management date from the Johor Bahru High Court.	Our solicitors, Khoo Chye Beng & Associates, are of the opinion that our Company stands a reasonable chance of success against the defendants.
16.03.2010 Johor Bahru High Court Civil Suit Number: 22-137-2010	<p><u>Plaintiff</u> Smartag Solutions Berhad</p> <p><u>Defendant</u> G.T. & T. Engineering Pte Ltd.</p>	This suit was filed afresh against GT&T Engineering Pte Ltd, the facts of which are essentially the same with the civil suit above.	<p>This matter is now pending the service of the cause papers out of jurisdiction through the Federal Court of Malaysia. The cause papers had been delivered to the Federal Court to carry out service out of the jurisdiction to Singapore.</p> <p>The plaintiffs subsequently on 14 October 2010 obtained an order for the substituted service of the writ summons and are in process of carrying over the substitute service by posting the said documents at the last known address, Johor Bahru High Court's Notice Board and the advertisement of the notice in the New Straits Times in Singapore.</p>	Our solicitors, Khoo Chye Beng & Associates, are of the opinion that our Company stands a reasonable chance of success against the defendants.

15. ADDITIONAL INFORMATION (Cont'd)

Date of Suit, Suit number and Court	Parties	Background	Status	Solicitors' Opinion on Outcome
13.05.2009 Johor Bahru Sessions Court, New Summons No: 52-6262-2010 (formerly Shah Alam Sessions Court, Summons No: 52-1381-2009)	<u>Plaintiff</u> G.T. & T. Engineering (M) Sdn Bhd <u>Defendant</u> Smartag Solutions Berhad	This suit is in respect of G.T.&T. Engineering (M) Sdn Bhd's claims for RM 108,762.32 against our Company in respect of damages for replacement of the RFID tags at Johor Port.	This suit has been transferred to Johor Bahru Sessions Court and the Court had assigned this suit a new suit number as follows: Summons No: 52-6262-2010. On 8 March 2011, our solicitors had filed our statement of defence and counterclaim and are now awaiting the Plaintiff to file their reply to our counterclaim, the counterclaim amount of which is RM850,000 for the supply of 30,000 units of defective tags to Johor Port Berhad. The Court has now fixed the matter for case management on 22 March 2011.	Our solicitors, Khoo Chye Beng & Associates, are of the opinion that our Company would not be liable for the damages claimed.

15.5 GOVERNMENTAL LAW, DECREE, REGULATION OR OTHER REQUIREMENT

As at the LPD, our Group is not aware of any governmental law, decree, regulation, or other requirement which may affect the repatriation of capital and the remittance of profit by or to our Group.

15.6 PUBLIC TAKE-OVER OFFERS

None of the following has occurred in the last financial year and/or the current financial year up to the date of this Prospectus:

- (i) Public take-over offers by third parties for the shares of our Company or any of our subsidiary companies or jointly-owned entity; or
- (ii) Public take-over offers by our Company or any of our subsidiary companies or jointly-owned entity for other companies' shares.

15.7 CONSENTS

The written consents of the Adviser, Sponsor, Placement Agent and Underwriter, Solicitors, Internal Control Consultants, Principal Banker, Registrar, Issuing House, Company Secretary and Foreign Counsel to the inclusion in this Prospectus of their names and all references thereto in the manner, form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion of its name, Accountants' Report, the Proforma Consolidated Financial Information of Smartag Solutions and the letter thereon and all references thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15. ADDITIONAL INFORMATION (Cont'd)

The written consent of the Independent Market Research Consultant to the inclusion in this Prospectus of its name and Executive Summary of the Independent Market Research report and all reference thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.8 RESPONSIBILITY STATEMENT

Our Directors have seen and approved this Prospectus and we collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

KIBB, being our Adviser and Sponsor, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Listing.

15.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at 368-4-1, Bellisa Row, Jalan Burmah, 10350 Georgetown, Pulau Pinang or such other places as the SC may determine, during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (i) the Memorandum and Articles of Association of our Company;
- (ii) business agreements and partnerships as referred to in Section 5.13 of this Prospectus;
- (iii) the material contracts which our Group is dependent on as referred to in Section 15.3 of this Prospectus;
- (iv) the service contracts with our Directors as set out in Section 9.2.6 of this Prospectus;
- (v) the relevant cause papers in respect of the material litigation referred to in Section 15.4 of this Prospectus;
- (vi) our Directors' Report referred to in Section 12 of this Prospectus;
- (vii) the Accountants' Report referred to in Section 13 of this Prospectus;
- (viii) the Reporting Accountants' report and letter relating to the proforma consolidated financial information as included in Section 14 of this Prospectus;
- (ix) the Independent Market Research Reports referred to in this Prospectus and the Executive Summary thereof as included in Section 7 of this Prospectus;
- (x) the letters of consent referred to in Section 15.7 of this Prospectus; and
- (xi) audited financial statements of our Company and its subsidiaries for the last three (3) financial years, preceding the date of this Prospectus.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.1 OPENING AND CLOSING OF APPLICATION

Opening of the application : 10.00 a.m. on 28 March 2011

Closing of the application : 5.00 p.m. on 4 April 2011

Applications will remain open until 5.00 p.m. on 4 April 2011 as stated above or at such date or dates as our Board and KIBB at their absolute discretion may jointly decide. **Late applications will not be accepted.**

In the event the date of the closing of the application for the IPO Shares is extended, the public will be notified of such extension by way of advertisements placed in a widely circulated English and Bahasa Malaysia newspaper prior to the original closing date.

16.2 ELIGIBILITY

You can only apply for our Shares if you fulfil all the following:-

- (a) You must have a CDS account. If you do not have a CDS account, you may open one (1) by contacting any of the ADAs listed in Section 16.12 of this Prospectus;
- (b) You must be **one (1)** of the following:-
 - (i) A Malaysian citizen who is at least eighteen (18) years old as at the closing date of the application with a Malaysian address; or
 - (ii) A corporation / institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of directors / trustee and if you have a share capital, more than half of your issued share capital, excluding preferred share capital is held by Malaysian citizens; or
 - (iii) A superannuation, co-operative, foundation, provident or pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under eighteen (18) years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/institution referred to in (b)(ii) or (iii) above or the trustees thereof; and

- (c) You are not a director or employee of MIDF Consultancy and Corporate Services Sendirian Berhad (“MIDFCCS”), our Issuing House or their immediate family members.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.3 METHODS OF APPLICATION

The IPO Shares are made available by us for subscription as follows:-

Public Issue	No. of Issue Shares to be allotted
(i) by way of private placement to eligible identified investors	50,000,000
(ii) made available to eligible directors, employees and persons who have contributed to the success of our Group	5,000,000
(iii) by way of balloting to the Malaysian public, of which at least 50.0% is to be set aside for Bumiputera investors	2,000,000
Total	57,000,000

Applications for the IPO Shares may be made using either of the following ways:-

Class of applicants	Application method
Malaysian public (for individuals)	White Application Form or Electronic Share Application ^(a) or Internet Share Application ^(b)
Malaysian public (for non-individuals, e.g. corporations, institutions, etc.)	White Application Form only
Selected investors via private placement	Separate letters / forms delivered to the respective investors
Eligible employees and business associates / persons who have contributed to the success of our Group	Pink Application Form only

Notes:-

- (a) Except for Affin Bank Berhad, a surcharge of RM2.50 per Electronic Share Application will be charged by the Participating Financial Institution.
- (b) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-
- (i) Affin Bank Berhad (www.affinOnline.com) - No fee will be charged for application by their account holders;
 - (ii) CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank and Malayan Banking Berhad;
 - (iii) CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 per Internet Share Application for applicants with CDS account held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs;
 - (iv) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00 per Internet Share Application;
 - (v) RHB Bank Berhad (www.rhbbank.com.my) – RM2.50 per Internet Application; and
 - (vi) Public Bank Berhad (www.pbepbank.com) – RM2.00 per Internet Application

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

16.4 PROCEDURES FOR APPLICATION

16.4.1 Procedures for application by way of an Application Form

Our eligible employees and business associates/persons who have contributed to the success of our Group will be distributed **Pink** Application Forms, letters detailing their allocation and additional letters of instruction. Their application must follow the notes and instructions in the said documents and where relevant, this Prospectus.

Malaysian public should follow the following procedures in making their applications:-

Step 1: Obtain application documents

Obtain the **White** Application Forms together with the Official "A" and "B" envelopes and a copy of this Prospectus. These documents can be obtained subject to availability from the following parties:-

- (a) KIBB;
- (b) participating organisations of Bursa Securities;
- (c) members of the Association of Banks in Malaysia;
- (d) members of the Malaysian Investment Banking Association; and
- (e) MIDFCCS.

Step 2: Read the Prospectus

In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus. You are advised to read and understand this Prospectus before making your application.

Step 3: Complete the Application Form

Complete the relevant Application Form legibly and STRICTLY in accordance with the notes and instructions printed on it and in this Prospectus.

(a) Personal particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by Bursa Depository. Please inform Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card ("**NRIC**") number must be the same as that stated in:-

- (i) your NRIC; or
- (ii) your "Resit Pengenalan Sementara (KPPK 09)" issued pursuant to Peraturan 5(5), Peraturan-peraturan Pendaftaran Negara 1990; or
- (iii) any valid temporary identity document as issued by the National Registration Department from time to time.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be the same as that stated in your authority card.

If you are a corporation / institution, the name and certificate of incorporation number must be the same as that stated in the corporation's / institution's certificate of incorporation.

(b) CDS account number

You must state your CDS account number in the space provided in the Application Form. Invalid, nominee or third party CDS accounts will not be accepted.

(c) Details of payment

You must state the details of your payment in the appropriate boxes provided in the White Application Form.

(d) Number of Shares applied

Your application must be for 100 Shares or multiples thereof.

Step 4: Prepare appropriate form of payment (applicable to Malaysian public)

Prepare the correct form of payment in RM for the FULL amount payable for the Issue Shares based on the Issue Price of RM0.31 per Issue Share.

Your completed Application Form must be accompanied by remittance in RM for the full amount payable by any of the following:-

- (a) **BANKER'S DRAFT OR CASHIER'S ORDER** purchased within Malaysia only and drawn on a bank in Kuala Lumpur; or
- (b) **MONEY ORDER OR POSTAL ORDER** (for applicants from Sabah and Sarawak only); or
- (c) **GUARANTEED GIRO ORDER ("GGO")** from Bank Simpanan Nasional Malaysia Berhad; or
- (d) **ATM STATEMENT** obtained only from any of the following financial institutions:-
 - Affin Bank Berhad; or
 - Alliance Bank Malaysia Berhad; or
 - AmBank (M) Berhad; or
 - CIMB Bank Berhad; or
 - EON Bank Berhad; or
 - Hong Leong Bank Berhad; or
 - Malayan Banking Berhad; or
 - Public Bank Berhad; or

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- RHB Bank Berhad,

and must be made out in favour of “**MIDF SHARE ISSUE ACCOUNT NUMBER: 639**” and crossed “**A/C PAYEE ONLY**” (excluding ATM statements) and endorsed on the reverse side with your name and address.

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

Step 5: Finalise application

Insert the White Application Form with the appropriate payment and a legible photocopy of identification document (NRIC/“Resit Pengenalan Sementara (KPPK 09)” / valid temporary identity document issued by the National Registration Department / authority card / certificate of incorporation) into Official “A” envelope and seal it. Write your name and address on the outside of the Official “A” and “B” envelopes. The name and address written must be identical to your name and address as per your NRIC/“Resit Pengenalan Sementara (KPPK 09)” / valid temporary identity document issued by the National Registration Department / authority card / certificate of incorporation. Affix a stamp on Official “A” envelope and insert Official “A” envelope into Official “B” envelope.

Step 6: Submit application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents can be submitted using one of the following methods:-

- (a) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

MIDF Consultancy and Corporate Services Sendirian Berhad
Level 8, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
P.O. Box 11122
50736 Kuala Lumpur

- (b) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at Ground Floor of Menara MIDF, 82, Jalan Raja Chulan, 50200 Kuala Lumpur, so as to arrive not later than 5:00 p.m. on 4 April 2011.

The Application Forms set out the full instruction for the application of the Issue Shares and the procedures to be followed. The Application Forms together with the notes and instructions shall constitute an integral part of this Prospectus. All applicants are advised to read the Application Forms and the notes and instructions therein carefully. Applications which do not conform strictly to the terms of this Prospectus or the Application Form or notes and instructions or which are illegible may not be accepted at the absolute discretion of our Directors.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.4.2 Procedures for application by way of an Electronic Share Application

Application for our Issue Shares by way of Electronic Share Application are only applicable to Malaysian individuals in respect of the Issue Shares made available for application by the Malaysian public.

(a) Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (i) You must have an account with a Participating Financial Institution (as detailed in Section 16.4.2 (b) below) and an ATM card issued by that Participating Financial Institution to access the account;
- (ii) You must have a CDS account; and
- (iii) You may apply for the Issue Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 16.4.2 (c) of the terms and conditions for Electronic Share Applications. You will have to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:-
 - Personal Identification Number (PIN);
 - MIDF Share Issue account number 639;
 - CDS account number;
 - Number of Shares applied for and/or the RM amount to be debited from the account; and
 - Confirmation of several mandatory statements.

(b) Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions at their branches:-

- Affin Bank Berhad; or
- AmBank (M) Berhad; or
- Bank Muamalat Malaysia Berhad; or
- CIMB Bank Berhad; or
- EON Bank Berhad; or
- HSBC Bank Malaysia Berhad; or
- Malayan Banking Berhad; or
- OCBC Bank (Malaysia) Berhad; or
- RHB Bank Berhad; or

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- Standard Chartered Bank Malaysia Berhad (at selected branches only).

(c) **Terms and conditions of Electronic Share Applications**

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set forth on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set forth in "**Steps for Electronic Share Application through a Participating Financial Institution's ATM**" in Section 16.4.2 (a) above. You must complete all the steps and follow the instructions set out on the ATM screen to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to "applicant/you" in the terms and conditions for Electronic Share Applications and the Steps shall mean the applicant who applies for the Issue Shares through an ATM of any of the Participating Financial Institutions.

In the case of Electronic Share Applications, you must have a CDS account to be eligible to utilise the facility.

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for the Issue Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or MIDFCCS. Do not submit your Transaction Record with any Application Form. The Transaction Record is for your own retention.

Upon the closing of the offer for the application for the Issue Shares on 4 April 2011 at 5.00 p.m. ("**Closing Date and Time**"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the Issue Shares to MIDFCCS as soon as practicable but not later than 12.00 p.m. of the second (2nd) business day after the Closing Date and Time.

You are allowed to make an Electronic Share Application for the Issue Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) application.

You must ensure that you use your own CDS account number when making an Electronic Share Application. If you operate a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing conditions.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the following terms and conditions:-

- (a) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (b) You are required to confirm the following statements (by depressing pre-designated keys (or buttons) on the ATM keyboard) and undertake that the following information given is true and correct:-
- You are at least eighteen (18) years of age as at the closing date of the share application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read the relevant Prospectus and understood and agreed with the terms and conditions of this application;
 - This is the only application that you are submitting; and
 - You hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to MIDFCCS and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you will be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to MIDFCCS or any relevant regulatory bodies.

- (c) **You confirm that you are not applying for the Issue Shares as a nominee of any other persons and that any Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one (1) Electronic Share Application and shall not make any other application for the Issue Shares, whether at the ATMs of any Participating Financial Institutions, on the prescribed Application Forms or via Internet Share Application.**
- (d) You must have sufficient funds in your bank account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is made, will be rejected.
- (e) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Transaction Record or any lesser number of Issue Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot any lesser number of the Issue Shares or not to allot or allocate any Issue Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key (or button) on the ATM) of the number of Issue Shares applied for shall signify, and shall be treated as, your acceptance of the number of Issue Shares that may be allotted to you and to be bound by our Memorandum and Articles of Association.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (f) We reserve the right to reject or accept any Electronic Share Application in whole or in part only without giving any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Issue Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
- (g) If your Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications within two (2) Market Days after the balloting date. If your Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest in RM into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIDFCCS. You may check your accounts on the fifth (5th) Market Day from the balloting date.

If your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest in RM into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIDFCCS. A number of applications will, however, be held in reserve to replace any successful balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies without interest will be refunded to the applicants by MIDFCCS by way of cheques issued by MIDFCCS. The cheques will be issued to the applicants not later than ten (10) Market Days from the day of the final ballot of the application list.

If you encounter any problems in your applications, you may refer to the Participating Financial Institutions.

- (h) You request and authorise us:-
- (i) to credit the Issue Shares allotted or allocated to you into your CDS account; and
 - (ii) to issue share certificate(s) representing such Issue Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (i) You, acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communications and computer-related faults and breakdowns, fires and other events which are beyond our control, and the control of MIDFCCS, the Participating Financial Institutions or Bursa Depository, irrevocably agrees that if:-
- (i) we or MIDFCCS do/does not receive your Electronic Share Application; or
 - (ii) data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIDFCCS,

you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against us, MIDFCCS or the Participating Financial Institutions or Bursa Depository for the Issue Shares applied for or for any compensation, loss or damage arising from it.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (j) All of your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct; and we, MIDFCCS and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (k) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allocation will be sent to your registered address last maintained with Bursa Depository.
- (l) By making and completing an Electronic Share Application, you agree that:-
 - (i) in consideration of our Company making available the Electronic Share Application facility to you, through the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - (ii) we, MIDFCCS, the Participating Financial Institutions and Bursa Depository shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to us due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/ their control;
 - (iii) notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the Issue Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allocation by us or our behalf for prescribed securities, in respect of the said Issue Shares;
 - (iv) you irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Issue Shares allotted or allocated to you; and
 - (v) You agree that in the event of any legal disputes arising from the use of Electronic Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia be bound by the decisions of the Courts of Malaysia.
- (m) If you are successful in your Electronic Share Application, our Directors reserves the rights to require you to appear in person at the registered office of MIDFCCS within fourteen (14) days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (n) MIDFCCS, on the authority of our Directors, reserves the right to reject applications which do not conform to these instructions.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.4.3 Procedures for application by way of an Internet Share Application

Applications for our Shares by way of Internet Share Application are only applicable to Malaysian individuals in respect of the Issue Shares made available for application by the Malaysian public.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internal Share Application and the procedures set out on the Internet financial services website of the Internet Participating Financial Institution before making an Internet Share Application.

Step 1: Set up of account

Before making an application by way of Internet Share Application, you **must have all** of the following:-

- (i) an existing account with access to Internet financial services facilities with the following Internet Participating Financial Institutions:-
 - Affin Bank Berhad at www.affinOnline.com; or
 - CIMB Investment Bank Berhad at www.eipocimb.com; or
 - CIMB Bank Berhad at www.cimbclicks.com.my; or
 - Malayan Banking Berhad at www.maybank2u.com.my; or
 - RHB Bank Berhad at www.rhbbank.com.my; or
 - Public Bank Berhad at www.pbebank.com
- (ii) an individual CDS account registered in your name (and not in a nominee's name).

Step 2: Read the Prospectus

You are advised to read and understand this Prospectus before making your application.

Step 3: Apply through Internet

The exact steps for Internet Share Application for the Issue Shares are as set out on the Internet financial services websites of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps of an application of the Issue Shares using Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (a) Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account. You are advised not to apply for the Issue Shares through any website other than the Internet financial services website of the Internet Participating Financial Institution.
- (b) Login to the Internet financial services facility by entering your user identification and PIN/ password.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) Navigate to the section of the website on the applications in respect of initial public offerings.
- (d) Select the counter in respect of the Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (f) At the next screen, complete the online application form.
- (g) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (h) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:-
 - (i) You are at least eighteen (18) years of age as at the Closing Date of the application for the Issue Shares;
 - (ii) You are a Malaysian citizen residing in Malaysia;
 - (iii) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;
 - (iv) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Share Application;
 - (v) The Internet Share Application is the only application that you are submitting for the Issue Shares;
 - (vi) You authorise the Internet Participating Financial Institution to deduct the full amount payable for the Issue Shares from your account with the Internet Participating Financial Institution;
 - (vii) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MODFCCS and the SC and any other relevant authority;
 - (viii) You are not applying for the Issue Shares as a nominee of any other person and the application is made in your own name as the beneficial owner and subject to the risks referred to in this Prospectus; and
 - (ix) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Applications services.

- (i) Upon submission of the online application form, you will be linked to the website of the Internet Participating Financial Institution to effect the online payment of your money for the IPO.
- (j) You must pay for the Issue Shares through the website of the Internet Participating Financial Institution, failing which the Internet Share Application is **not completed**, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Issue Shares applied for, which can be printed out by you for your records.
- (k) As soon as the transaction is completed, a message from the Internet Participating Financial Institution pertaining to the payment status will appear on the screen on the website through which the online payment for the application of the Issue Shares is being made.
- (l) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (m) You are advised to print out the Confirmation Screen for the reference and retention.

Terms and Conditions for Internet Share Applications

The terms and conditions outlined below supplement the additional terms and conditions for Internet Share Application contained in the Internet financial services website of the Internet Participating Financial Institutions. Please refer to the Internet financial services website of the Internet Participating Financial Institutions for the exact terms and conditions and instructions.

- (a) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen. You are required to complete your Internet Share Application by the close of the IPO mentioned in Section 16.1 of this Prospectus.
- (b) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Confirmation Screen or any lesser number of Issue Shares that may be allotted or allocated to you in respect of your Internet Share Application. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of Issue Shares allotted or allocated to you.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) You request and authorise us:-
- (i) to credit the Issue Shares allotted or allocated to you into your CDS account; and
 - (ii) to issue share certificate(s) representing such Issue Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (d) You, acknowledge that your Internet Share Application is subject to the risks of electrical, electronic, technical, transmission, communications and computer-related faults and breakdowns, faults with computer software, problem occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires and other events which are beyond our control, and the control of the Internet Participating Financial Institution, irrevocably agrees that if:-
- (i) we, MIDFCCS or the Internet Participating Financial Institution do/does not receive your Internet Share Application and/or payment; or
 - (ii) data relating to your Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIDFCCS,
- you shall be deemed not to have made an Internet Share Application and you shall not claim whatsoever against us, MIDFCCS or the Internet Participating Financial Institutions for the Issue Shares applied for or for any compensation, loss or damage arising from it.
- (e) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the issue or transfer of the Issue Shares allocated to you.
- (f) You agree that in the event of any legal disputes arising from the use of Internet Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.
- (g) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by us, MIDFCCS and/or the Internet Participating Financial Institutions for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institutions.
- (h) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.
- (i) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, our Underwriter, our Adviser and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.5 OTHER TERMS AND CONDITIONS

- (a) You are required to pay the Issue Price of RM0.31 for each Issue Share you have applied for;
- (b) You can submit only one (1) application for the Public Issue Shares offered to the Malaysian public. For example, if you submit an application using a White Application Form, you cannot submit an Electronic Share Application or Internet Share Application.

MIDFCCS acting under the authority of our Directors, has the discretion to reject applications that appears to be multiple applications.

We wish to caution you that if you submit more than one (1) application in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail term of up to ten (10) years under Section 182 of the CMSA.

- (c) Your application must be for at least 100 Shares or multiples thereof.
- (d) Your application must be made in connection with and subject to this Prospectus and our Memorandum and Articles of Association. You agree to be bound by our Memorandum and Articles of Association.
- (e) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.
- (f) Our Company or MIDFCCS will not issue any acknowledgement of the receipt of your application or application monies.
- (g) You must ensure that your personal particulars submitted in your application and/or your personal particular as recorded by the Internet Participating Financial Institution are correct and identical with the records maintained by Bursa Depository. Otherwise, your application is liable to be rejected. Bursa Depository will have to be promptly notified of any change in your address, failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (h) Your remittances having been presented for payment shall not signify that your application has been accepted.

Our acceptance of your application to subscribe for the Issue Shares shall be constituted by the issue of notices of allotment for the Issue Shares to you.

- (i) Submission of your CDS account number in your application includes your authority or consent in accordance with the Malaysian laws of Bursa Depository and the Participating Financial Institutions, as the case may be, to disclose information pertaining to your CDS account and other relevant information to us or MIDFCCS and any relevant regulatory bodies, as the case may be.

You agree to accept our decision as final should we decide not to allot any Issue Shares to you.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.6 AUTHORITY OF OUR DIRECTORS AND MIDFCCS

If you are successful in your application, our Directors reserve the rights to require you to appear in person at the registered office of MIDFCCS within fourteen (14) days of the date of notice issued to you to ascertain your application is genuine and valid. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

Applicants will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allotting or allocating our Issue Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

MIDFCCS, on the authority of our Directors, reserve the rights to:-

- (a) reject applications which do not conform to the instructions in this Prospectus or are illegible, incomplete and inaccurate;
- (b) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason; and
- (c) bank in all application monies from unsuccessful / partially successful Bumiputera applicants which would subsequently be refunded without interest by registered post.

16.7 OVER / UNDER-SUBSCRIPTION

In the event of an over-subscription for the Issue Shares, MIDFCCS will conduct a ballot in a fair and equitable manner as approved by our Directors to determine the acceptance of applications. In determining the manner of balloting, our Directors will consider the desirability of distributing the Issue Shares, to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up capital to be held by a minimum number of 200 public shareholders holding not less than 100 Shares each upon Listing and completion of this IPO. We expect to achieve this at the point of Listing. However, in the event that this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

In the event of an under-subscription, all the Issue Shares not applied for will be subscribed by our Underwriter pursuant to the Underwriting Agreement.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.8 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your application, we will return your application monies without interest in the following manner:-

16.8.1 For applications by way of White Application From

- (a) the application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot.
- (b) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to the address stated in the NRIC or "Resit Pengenalan Sementara (KPPK 09)" or any valid temporary identity document issued by the National Registration Department from time to time, at your own risk.
- (c) MIDFCCS reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by registered post to your last address maintained with Bursa Depository or as per item (b) above, as the case may be, within ten (10) Market Days from the date of the final ballot.

16.8.2 For applications by way of Electronic Share Application and Internet Share Application

- (a) MIDFCCS shall inform the Participating Financial Institutions of the non-successful or partially successful application within two (2) Market Days after the balloting date. The application monies or the balance of it will be credited into your account with the Participating Financial Institution without interest within two (2) Market Days after the receipt of confirmation from MIDFCCS.
- (b) You may check your account on the fifth (5th) Market Day from the balloting date.
- (c) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by MIDFCCS by way of cheques by registered post or ordinary post. The cheques will be issued not later than ten (10) Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will arrange for a refund of the application money (or any part thereof) without interest within ten (10) Market Days from the date of the final ballot.

16.9 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (a) Our Issue Shares allocated to you will be credited into your CDS account. We will not be issuing any shares certificate to you.
- (b) A notice of allotment will be despatched to you at the address last maintained with Bursa Depository where you have an existing CDS account at your own risk prior to our Listing. This is your only acknowledgement of acceptance of the application.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.10 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Smartag Solutions Shares as "Prescribed Security". Therefore, the Shares issued through the Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Following to the above, pursuant to Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in the Issue Shares will be by book entries through CDS accounts. No share certificates will be issued to successful applicants.

Only an applicant who has a CDS account can make an application by way of an Application Form. An applicant should state his CDS account number in the space provided on the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIDFCCS/the Company. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the Issue Shares.

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS account can make an Internet Share Application. In certain cases, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the e-Issue online application form.

Failure to comply with these specific instructions or inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, may result in the application being rejected.

If a successful applicant fails to state his/her CDS account number, MIDFCCS on the authority of our Company will reject the application. MIDFCCS on the authority of our Board also reserves the right to reject any incomplete and inaccurate application. Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of Electronic Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or in the case of Internet Share Applications, if the records of the Internet Participating Financial Institutions at the time of making the Internet Share Applications, differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.11 ENQUIRIES

You may contact MIDFCCS if you have any queries on the White Application Form at 03-2173 8657, 03-2173 8658, & 03-2173 8659. If you have any enquiry with regards to your Electronic Share Application, you may refer to the relevant Participating Financial Institution. If you have any enquiry with regards to your Internet Share Application, you may refer to the relevant Internet Participating Financial Institution.

Applicants may also check the status of their application by logging on to the MIDFCCS website at midf.com.my or by calling their respective ADAs at the telephone number as stated in Section 16.12 of this Prospectus or MIDFCCS Enquiry Services at 03-2173 8657, 03-2173 8658, & 03-2173 8659, between five (5) to ten (10) market days (during office hours only) after the balloting date.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**16.12 LIST OF ADAs**

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:-

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
<u>KUALA LUMPUR</u>			
A.A. ANTHONY SECURITIES SDN BHD N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No.: 03-6201 1155	078-004	AFFIN INVESTMENT BANK BERHAD Ground Mezzanine & 3rd Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	028-001
ALLIANCE INVESTMENT BANK BERHAD 17th Floor, Menara Multi-Purpose Capital Square 8 Jln Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2697 6333	076-001	AMINVESTMENT BANK BERHAD 15 th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2078 2788	086-001
BIMB SECURITIES SDN BHD 32 nd Floor Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2691 8887	024-001	CIMB INVESTMENT BANK BERHAD 9 th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2084 9999	065-001
ECM LIBRA INVESTMENT BANK BERHAD 3 rd Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2178 1888	052-009	ECM LIBRA INVESTMENT BANK BERHAD Level 1, ECMLibra Building Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2089 1800	052-001
HONG LEONG INVESTMENT BANK BERHAD Level 8, Menara HLA No.3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2168 1168	066-001	HWANGDBS INVESTMENT BANK BERHAD 2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009
HWANGDBS INVESTMENT BANK BERHAD No. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5 th Floor, Cheras Commercial Centre, Jalan 5/101C Off Jalan Kaskas, 5 th Mile Cheras 56100 Kuala Lumpur Tel No.: 03-9130 3399	068-012	HWANGDBS INVESTMENT BANK BERHAD 7 th , 22 nd , 23 rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2711 6888	068-014

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
INTER-PACIFIC SECURITIES SDN BHD West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001	INTER-PACIFIC SECURITIES SDN BHD Ground Floor 7-0-8 Jalan 3/109F Danau Business Centre Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No.: 03-7981 8811	054-005	JUPITER SECURITIES SDN BHD Lot 7 th - 9 th Floor Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD 11 th -14 th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2168 8800	053-001	KENANGA INVESTMENT BANK BERHAD 8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2164 9080	073-001
MAYBANK INVESTMENT BANK BERHAD 5-13, Maybanlife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001	M&A SECURITIES SDN BHD Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002
MERCURY SECURITIES SDN BHD L-7-2 No.2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002	MIMB INVESTMENT BANK BERHAD Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No.: 03-2692 8899	061-001
MIDF AMANAH INVESTMENT BANK BERHAD Level 11 & 12, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2178 8888	026-001	OSK INVESTMENT BANK BERHAD No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No.: 03-6257 5869	056-028
OSK INVESTMENT BANK BERHAD 20 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2333 8333	056-001	OSK INVESTMENT BANK BERHAD Ground, 1 st , 2 nd & 3 rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No.: 03-9058 7222	056-058

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
OSK INVESTMENT BANK BERHAD Ground Floor, No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4280 4798	056-054	PUBLIC INVESTMENT BANK BERHAD 27 th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2031 3011	051-001
PM SECURITIES SDN BHD Ground, Mezzanine, 1 st & 10 th Floor Menara PMI No. 2, Jalan Cangkat Ceylon 50200 Kuala Lumpur Tel No.: 03-2146 3000	064-001	RHB INVESTMENT BANK BERHAD Level 9, Tower Three, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9287 3888	087-001
TA SECURITIES HOLDINGS BERHAD Floor 13-16, 23, 28-30, 34 & 35 TA One Tower No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No.: 03-2072 1277	058-003		
<u>SELANGOR DARUL EHSAN</u>			
AFFIN INVESTMENT BANK BERHAD 2 nd , 3 rd & 4 th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9999	028-002	AFFIN INVESTMENT BANK BERHAD Lot 229, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	028-003
AMINVESTMENT BANK BERHAD 4 th Floor, Plaza Damansara Utama No. 2, Jalan SS 21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-003	CIMB Investment Bank Berhad Level G & Level 1 Tropicana City Office Tower No.3 Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7717 3388	065-009
HONG LEONG INVESTMENT BANK BERHAD Level 10, 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7724 6888	066-002	HWANGDBS INVESTMENT BANK BERHAD 16 th , 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No.: 03-5513 3288	068-002

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
HWANGDBS INVESTMENT BANK BERHAD East Wing & Centre Link Floor 3A, Wisma Consplant 2, No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5635 6688	068-010	JF APEX SECURITIES BERHAD 6 th Floor, Menara Apex Off Jalan Semenyih Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 1118	079-001
JF APEX SECURITIES BERHAD 15 th & 16 th Floor Menara Choy Fook On No.1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002	KENANGA INVESTMENT BANK BERHAD Ground – Fifth Floor East Wing, Quattro West No. 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7862 6200	073-005
KENANGA INVESTMENT BANK BERHAD Lot 240, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-016	OSK INVESTMENT BANK BERHAD 24, 24M, 24A, 26M, 28M, 28A & 30, Jalan SS2/63, 47300 Petaling Jaya, Selangor Darul Ehsan Tel No.: 03-7873 6366	056-011
OSK INVESTMENT BANK BERHAD No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No: 03-8736 3378	056-045	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	056-047
OSK INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Peniagaan NBC Batu 1 ½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	056-048	PM SECURITIES SDN BHD No 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003
PM SECURITIES SDN BHD No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3341 5300	064-007	SJ SECURITIES SDN BHD Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Seksyen 22 40000 Shah Alam Selangor Darul Ehsan Tel No.: 03-5192 0202	096-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
TA SECURITIES HOLDINGS BERHAD No.2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8025 1880	058-005		
<u>MELAKA</u>			
CIMB INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 191 Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: 06-289 8800	065-006	ECM LIBRA INVESTMENT BANK BERHAD 71A & 73A Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-288 1720	052-008
MERCURY SECURITIES SDN BHD No. 81-B & 83-B, Jalan Merdeka Taman Malaka Raya 75000 Melaka Tel No.: 06-292 1898	093-003	MALACCA SECURITIES SDN BHD No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P.O.Box 248 75250 Melaka Tel No.: 06-337 1533	012-001
OSK INVESTMENT BANK BERHAD 579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No.: 06-282 5211	056-003	PM SECURITIES SDN BHD No. 13 Jalan PM2 Plaza Mahkota 75000 Melaka Tel No.: 06-286 6008	064-006
RHB INVESTMENT BANK BERHAD Lot 7-13 & 15 1 st Floor, Bangunan Tabung Haji Jalan Bandar Kaba 75000 Melaka Tel No.: 06-283 3622	087-002		
<u>PERAK DARUL RIDZUAN</u>			
A.A.ANTHONY SECURITIES SDN BHD 29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 2328	078-009	CIMB Investment Bank Berhad Ground, 1 st , 2 nd & 3 rd Floor No.8, 8A-8C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-208 8688	065-010
ECM LIBRA INVESTMENT BANK BERHAD No. 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-242 2828	052-002	ECM LIBRA INVESTMENT BANK BERHAD No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-622 2828	052-006

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
HONG LEONG INVESTMENT BANK BERHAD 51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-253 0888	066-003	HWANGDBS INVESTMENT BANK BERHAD Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No.: 05-806 0888	068-003
HWANGDBS INVESTMENT BANK BERHAD Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-255 9988	068-015	M&A SECURITIES SDN BHD M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-241 9800	057-001
MAYBANK INVESTMENT BANK BERHAD B-G-04 (Ground Floor), Level 1 & 2 No. 42, Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh, Perak Darul Ridzuan Tel No.: 05-2453 400	098-002	OSK INVESTMENT BANK BERHAD 21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-241 5100	056-002
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-623 6498	056-014	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-692 1228	056-016
OSK INVESTMENT BANK BERHAD No. 72, Ground Floor, Jalan Idris, 31900 Kampar Perak Darul Ridzuan Tel No.: 05-465 1261	056-044	OSK INVESTMENT BANK BERHAD Ground Floor No. 40, 42 & 44, Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-808 8229	056-034
OSK SECURITIES BERHAD Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-717 0888	056-052	TA SECURITIES HOLDINGS BERHAD Ground, 1 st & 2 nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh, Perak Darul Ridzuan Tel No.: 05-253 1313	058-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
<u>PULAU PINANG</u>			
A.A. ANTHONY SECURITIES SDN BHD 1 st , 2 nd & 3 rd Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No.: 04-229 9318	078-002	A.A. ANTHONY SECURITIES SDN BHD Ground & 1st Floor No. 2, Jalan Pemiagaan 2 Pusat Peniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-554 1388	078-003
ALLIANCE INVESTMENT BANK BERHAD Suite 2.1 & 2.4, Level 2 Wisma Great Eastern No.25, Lebu Light 10200 Penang Tel No.: 04-261 1688	076-015	AMINVESTMENT BANK BERHAD Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-226 1818	086-004
CIMB INVESTMENT BANK BERHAD Ground Floor, Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-291 1833	065-003	ECM LIBRA INVESTMENT BANK BERHAD No. 111, Jalan Macalister 10400 Pulau Pinang Tel No.: 04-228 1868	052-003
ECM LIBRA INVESTMENT BANK BERHAD 7 th Floor, Menara PSCI 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-228 3355	052-010	HWANGDBS INVESTMENT BANK BERHAD Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No.: 04-263 6996	068-001
HWANGDBS INVESTMENT BANK BERHAD No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-537 2882	068-006	INTER-PACIFIC SECURITIES SDN BHD Ground, Mezzanine & 8 th Floor Bangunan Maybank Trust No. 3, Penang Street 10200 Pulau Pinang Tel No.: 04-269 0888	054-002
KENANGA INVESTMENT BANK BERHAD Lot 1.02, Level 1, Menara KWSP, 38, Jalan Sultan Ahmad Shah, 10050 Pulau Pinang Tel No.: 04-210 6666	073-013	MERCURY SECURITIES SDN BHD Ground, 1 st , 2 nd & 3 rd Floor, Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Perai Pulau Pinang Tel No.: 04-332 2123	093-001
MERCURY SECURITIES SDN BHD 2 nd Floor, Standard Chartered Bank Chambers 2 Lebu Pantai 10300 Pulau Pinang Tel No.: 04-263 9118	093-004	OSK INVESTMENT BANK BERHAD 64, Bishop Street 20E, 20F & 20G Penang Street 10200 Pulau Pinang Tel No.: 04-263 4222	056-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai, Pulau Pinang Tel No.: 04-390 0022	056-005	OSK INVESTMENT BANK BERHAD Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-540 2888	056-015
OSK INVESTMENT BANK BERHAD No. 834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No.: 04-583 1888	056-032	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 15-G-5, 15-G-6, 15-1-15 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No.: 04-640 4888	056-042
PM SECURITIES SDN BHD Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-227 3000	064-004		
<u>KEDAH DARUL AMAN</u>			
ALLIANCE INVESTMENT BANK BERHAD 2 nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-731 7088	076-004	A.A.ANTHONY SECURITIES SDN BHD Lot 4, 5 & 5A 1 st Floor EMUM 55 No.55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-732 2111	078-007
HWANGDBS INVESTMENT BANK BERHAD No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-425 6666	068-011	OSK INVESTMENT BANK BERHAD No. 112, Jalan Pengkalan Taman Pekan baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-420 4888	056-017
OSK INVESTMENT BANK BERHAD No. 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No.: 04-496 4888	056-019	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor 215-A & 215-B, Medan Putra, Jalan Putra 05150 Alor Star Kedah Darul Aman Tel No.: 04-720 9888	056-021

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
<u>PERLIS INDRA KAYANGAN</u>			
ALLIANCE INVESTMENT BANK BERHAD 2 nd Floor, Podium Block Bangunan KWSP 01000 Kangar, Perlis Indra Kayangan Tel No.: 04-976 5200	076-003	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 39, Taman Suñani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No.: 04-979 3888	056-061
<u>NEGERI SEMBILAN DARUL KHUSUS</u>			
ECM LIBRA INVESTMENT BANK BERHAD 1 C-G & 1D-G, Jalan Tuanku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-765 5998	052-013	HWANGDBS INVESTMENT BANK BERHAD Ground & 1 st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-761 2288	068-007
HWANGDBS INVESTMENT BANK BERHAD No.6, Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3188	068-013	OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-764 1641	056-024
OSK INVESTMENT BANK BERHAD 1 st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-442 1000	056-037	OSK INVESTMENT BANK BERHAD 1 st & 2 nd Floor, No. 168, Jalan Mewah (Pusat Pemiagaan UMNO Jempol), 71200 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-455 3011	056-040
OSK INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 346 & 347 Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-646 1234	056-046	PM SECURITIES SDN BHD 1 st , 2 nd & 3 rd Floors, 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-762 3131	064-002
<u>JOHOR DARUL TAKZIM</u>			
A.A. ANTHONY SECURITIES SDN BHD Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-333 2000	078-001	A.A. ANTHONY SECURITIES SDN BHD 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-663 6658	078-005

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
A.A. ANTHONY SECURITIES SDN BHD No.70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-351 3218	078-006	ALLIANCE INVESTMENT BANK BERHAD No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No.: 07-771 7922	076-006
AMINVESTMENT BANK BERHAD 2 nd & 3 rd Floor Penggaram Complex 1 Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-434 2282	086-002	AMINVESTMENT BANK BERHAD 18 th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-334 3855	086-006
ECM LIBRA INVESTMENT BANK BERHAD Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No.: 07-467 8885	052-005	ECM LIBRA INVESTMENT BANK BERHAD No. 57, 59 & 61 Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 2222	052-004
INTER-PACIFIC SECURITIES SDN BHD 95, Jalan Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-223 1211	054-004	HWANGDBS INVESTMENT BANK BERHAD Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 2692	068-004
KENANGA INVESTMENT BANK BERHAD No. 31, Lorong Dato' Ahmad, Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No.: 06-954 2711	073-008	KENANGA INVESTMENT BANK BERHAD Level 2, Menara Pelangi, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-333 3600	073-004
KENANGA INVESTMENT BANK BERHAD No. 33 & 35 (Ground & 1 st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-777 1161	073-010	KENANGA INVESTMENT BANK BERHAD No. 34, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-933 3515	073-009

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
KENANGA INVESTMENT BANK BERHAD No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 2292	073-011	MERCURY SECURITIES SDN BHD Suite 17.1, Level 17 Menara Pelangi No. 1, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-331 6992	093-005
MIMB INVESTMENT BANK BERHAD Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 7388	061-002	OSK INVESTMENT BANK BERHAD 53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-438 0288	056-009
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-557 7628	056-029	OSK INVESTMENT BANK BERHAD 6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No.: 07-278 8821	056-006
OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor, No. 17 Jalan Manggis, 86000 Kluang, Johor Darul Takzim Tel No.: 07-776 9655	056-031	OSK INVESTMENT BANK BERHAD No. 33-1, 1 st & 2 nd Floor, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-953 8262	056-025
OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 343 Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No.: 06-978 7180	056-038	OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 3, Jalan Susur Utama 2/1, Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-932 1543	056-030
OSK INVESTMENT BANK BERHAD Tingkat Bawah, Tingkat 1 dan Tingkat 2 Nos. 21 dan 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-352 2293	056-043	OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 10 Jalan Anggenk 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-662 6288	056-035

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
OSK INVESTMENT BANK BERHAD 1 st Floor, No. 2 Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No.: 07-925 6881	056-039	PM SECURITIES SDN BHD No.41 Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-351 3232	064-005
PM SECURITIES SDN BHD Ground & 1 st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-433 3608	064-008		
<u>KELANTAN DARUL NAIM</u>			
TA SECURITIES HOLDINGS BERHAD 298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-743 2288	058-004	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-743 0077	056-020
<u>PAHANG DARUL MAKMUR</u>			
ALLIANCE INVESTMENT BANK BERHAD A-397, A-399 & A-401 Taman Sri Kuantan III Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-566 0800	076-002	ECM LIBRA INVESTMENT BANK BERHAD A15, A17 & A19, Ground Floor Lorong Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 1698	052-007
OSK INVESTMENT BANK BERHAD B2 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-517 3811	056-007	OSK INVESTMENT BANK BERHAD Ground Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No.: 09-223 4943	056-022
OSK INVESTMENT BANK BERHAD Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-491 4913	056-041		

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
<u>TERENGGANU DARUL IMAN</u>			
ALLIANCE INVESTMENT BANK BERHAD No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1 st & 2 nd Floor, Jalan Air Jemeh 20300 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-631 7922	076-009	FA SECURITIES SDN BHD No. 51 & 51A Ground, Mezzanine & 1 st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-623 8128	021-001
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-858 3109	056-027	OSK INVESTMENT BANK BERHAD 31A, Ground Floor 31A & 31B, 1 st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-626 1816	056-055
<u>SABAH</u>			
CIMB INVESTMENT BANK BERHAD 1 st & 2 nd Floor Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-005	ECM LIBRA INVESTMENT BANK BERHAD ARAS 8, WISMA GREAT EASTERN 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236 188	052-012
INNOSABAH SECURITIES BERHAD 11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No.: 088-234 4090	020-001	HWANGDBS INVESTMENT BANK BERHAD Suite 1-9-E1, 9 th Floor, CPS Tower Centre Point Sabah No. 1 Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No.: 088-311 688	068-008
OSK INVESTMENT BANK BERHAD 5 th floor, Wisma BSN Sabah Jalan Kemajuan Karamunsing 88000 Kota Kinabalu Sabah Tel No.: 088-269788	056-010	OSK INVESTMENT BANK BERHAD Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah Mile 4 North Road 91000 Sandakan Sabah Tel No.: 089-229 286	056-057
<u>SARAWAK</u>			
AMINVESTMENT BANK BERHAD No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-005	CIMB INVESTMENT BANK BERHAD Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 606	065-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

NAME, ADDRESS & TELEPHONE NUMBER	ADA Code	NAME, ADDRESS & TELEPHONE NUMBER	ADA Code
HWANGDBS INVESTMENT BANK BERHAD No. 282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-330 008	068-016	HWANGDBS INVESTMENT BANK BERHAD Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No.: 082-236 999	068-005
KENANGA INVESTMENT BANK BERHAD Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002	KENANGA INVESTMENT BANK BERHAD Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No.: 082-338 000	073-003
KENANGA INVESTMENT BANK BERHAD No. 11-12 (Ground & 1 st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No.: 084-313 855	073-012	OSK INVESTMENT BANK BERHAD Ground, 1 st Floor & 6 th Floor Wisma Chinese Chambers Lot 357, Section 47 K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No.: 082-422 252	056-008
OSK INVESTMENT BANK BERHAD Lot 1268, 1 st & 2 nd Floor Lot 1269 2 nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-422 788	056-012	OSK INVESTMENT BANK BERHAD 101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No.: 084-329 100	056-013
OSK INVESTMENT BANK BERHAD Ground Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No.: 084-654 100	056-050	OSK INVESTMENT BANK BERHAD Tingkat Bawah dan Tingkat 1 No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-311 700	056-053
TA SECURITIES HOLDINGS BERHAD 12G, H & I, Jalan Kampung Datu 96000 Sibu Sarawak Tel No.: 084-319 998	058-002	TA SECURITIES HOLDINGS BHD 2 nd Floor, (Bahagian Hadapan) Bangunan Binamas Lot 138, Section 54 Jalan Pandung 93100 Kuching Sarawak Tel No.: 082-236 333	058-006