SMARTAG SOLUTIONS BERHAD (639421-X)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
Quarterly Report for the Fourth Quarter Ended 30 September 2011

A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting, Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). No comparative figures are available for the preceding year's individual and cumulative corresponding quarter as this is the fourth interim financial report being announced by the Company.

The interim financial statements should be read in conjunction with the proforma consolidated financial information and the Accountants’ Report as disclosed in the Prospectus of Smartag Solutions Berhad (“Smartag” or the “Company”) dated 28 March 2011 and the accompanying explanatory notes attached to the interim financial report.

The accounting policies and methods of computation adopted by Smartag, its subsidiaries and its jointly-owned entity (“Group”) for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board.

A2. Summary of significant accounting policies

Save as disclosed below, the significant accounting policies adopted are consistent with the Proforma Consolidated Financial Information and the Accountants’ Report as disclosed in the Prospectus of the Company dated 28 March 2011 and the audited financial statements of the Group for the financial year ended 30 September 2010.

On 1 October 2010, the Group had adopted the following new and revised Financial Reporting Standards, Issues Committee (“IC”) Interpretations (“IC Int”) and amendments/improvements to FRSs and IC Int mandatory for the financial period beginning on or after 1 January 2010 and 1 July 2010:-

<u>New and Revised FRSs</u>

FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing costs	1 January 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
FRS 2	Share-based Payment	1 January 2010 and 1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010 and 1 July 2010
FRS 7	Financial Instruments: Disclosure	1 January 2010
FRS 8	Operating Segments	1 January 2010
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 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010 and 1 July 2010
FRS 128	Investment in Associates	1 January 2010
FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
FRS 131	Interests in Joint Ventures	1 January 2010
FRS 132	Financial Instruments: Presentation	1 January 2010
FRS 134	Interim Financial Reporting	1 January 2010
FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
FRS 140	Investment Property	1 January 2010

IC Int

IC Int 9	Reassessment of Embedded Derivatives	1 January 2010
IC Int 10	Interim Financial Reporting and Impairment	1 January 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 11	FRS 2 – Group and Treasury Share Transactions	1 January 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 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
IC Int 15	Construction on Real Estate	30 August 2010

The adoption of the above new and revised FRSs, IC Int and amendments/improvements to FRSs and IC Int did not have any significant effects on the interim financial report upon their initial application, other than as below:

FRS 7 – Financial Instruments - Disclosures

Prior to the adoption of FRS 7, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. Such disclosures will be made in the audited annual financial statements of the Group.

Amendments to FRS 8 - Operating Segments

With the adoption of amendments to FRS 8, Segment Reporting requires a `management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the chief operating decision maker, who makes decisions on the allocation of resources and assesses the performance of the reportable segments.

The Group concluded that the reportable operating segments determined in accordance with amendments to FRS 8 are the same as the business segments previously identified, there will be no impact on the financial position or results of the Group.

Revised 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.

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity, if any, will be presented as a single line labeled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the statement of comprehensive income. The adoption of this standard does not have any impact on the financial position and results of the Group.

FRS 139 - Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognition and measurement of the Group's financial instruments. A financial asset or financial liability shall be recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. A financial asset or financial liability is recorded initially at fair value upon initial recognition plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 October 2010.

Financial Assets

Subsequent to the initial recognition, financial assets are classified as 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables', 'available for sale financial assets ("AFS")' or 'derivatives designated as hedging instruments', as appropriate.

The Group's financial assets include trade and other receivables, cash and short term deposits, which are categorise as 'loans and receivables'.

(i) *Loan and receivables*

Prior to 1 October 2010, loan and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate ("EIR") method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortization and impairment losses are recognised in income statement.

Financial Liability

After initial recognition, financial liabilities are classified as 'fair value through profit or loss', 'amortised cost' or `derivatives designated as hedging instruments', as appropriate.

The Group's financial liabilities include borrowings, trade and other payables.

Prior to 1 October 2010, all financial liabilities were stated at cost. Under FRS 139, financial liabilities are subsequently measured at amortised cost.

Inter-company Advances or Loans

Prior to 1 October 2010, the loans or advances granted from the Company to its subsidiaries were at interest free and were recorded at cost.

Upon the adoption of FRS 139, the advances or loans are classified as Loans and Receivables. As the loan is interest free and only payable at demand, the difference between the fair value and amortised cost of the loan or advance is derecognised.

Revised FRS 3 – Business Combinations

The revised FRS 3 introduces changes to the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period in that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of revised FRS 3 include:-

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects, for each acquisition of a business, whether to measure non-controlling interest (previously described as minority interests) at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree are re-measured to fair value at the acquisition date with any corresponding gain or loss recognized in profit or loss, and this impact the amount of goodwill.

Accordingly to its transitional provisions, the revised FRS 3 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition date are before 1 October 2010 are not adjusted.

Amendments to FRS 127 – Consolidated and Separate Financial Statements

Changes in significant accounting policies resulting from the adoption of the amendments to FRS 127 include:-

- A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the amendments to FRS 127 has been applied prospectively and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interest, attribution of losses to non-controlling interest, and the disposal of subsidiaries before 1 October 2010. The changes will affect future transactions with non-controlling interest.

A3. Auditors' Report of preceding annual financial statements

The preceding year's annual financial statements were not subject to any qualification.

Notwithstanding this, the financial statements of the subsidiaries comprise the following emphasis of matter paragraph in the auditors' report:-

Smartag International Inc.
"The accompanying financials statements have been prepared assuming that the Company will continue as a going concern. As discussed in notes of the financial statement, the Company has suffered recurring lossess 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 the Company's ability to continue as a going concern. The financial statement does not include any adjustments that might result from the outcome of this uncertainty."

Smartag Technologies Sdn Bhd
"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 Inc and Smartag Technologies Sdn Bhd containing emphasis of matter paragraphs on their going concerns, the directors of Smartag are of the view that as Smartag International Inc and Smartag Technologies Sdn Bhd 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 Group.

A4. Seasonal or cyclical factors

The Group's operations are not materially affected by seasonal and cyclical factors.

A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A6. Material changes in estimates

There were no material changes in estimates in the current financial quarter under review and financial year-to-date.

A7. Debts and equity securities

Save as below, there were no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review.

On 10 November 2010, Smartag International had entered into a settlement agreement with Paul Matthews for the full settlement of a Convertible Note held by Paul Matthews. Pursuant to the said agreement, the outstanding Convertible Note of USD25,000 as at the even date was converted for 500,000 Smartag International Inc.'s common stock as the full and final settlement for the 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%.

A8. Dividends

There were no dividends paid or declared for the current financial quarter under review.

A9. Segmental Information

(a) Analysis of revenue by Geographical area

	Current Quarter Ended 30/09/11 RM'000	Preceding Corresponding Quarter Ended 30/09/10 RM'000*	Current Year To date ended 30/09/11 RM'000	Preceding Corresponding Year To date ended 30/09/10 RM'000*
Thailand	6	N/A	2,539	N/A
Malaysia	190	N/A	3,352	N/A
Others	-	N/A	7	N/A
Total Revenue	**196**	**N/A**	**5,898**	**N/A**

(b) Analysis of revenue by product categories

	Current Quarter Ended 30/09/11 RM'000	Preceding Corresponding Quarter Ended 30/09/10 RM'000*	Current Year To date ended 30/09/11 RM'000	Preceding Corresponding Year To date ended 30/09/10 RM'000*
Smartware™ (RFID middleware and Smartware addons)	80	N/A	735	N/A
RFID Solutions for manufacturing and Logistics	27	N/A	3,672	N/A
RFID library solutions	83	N/A	478	N/A
RFID container management system and security services	6	N/A	208	N/A
Others	-	N/A	805	N/A
Total revenue	**196**	**N/A**	**5,898**	**N/A**

*No comparative figures are available as this is the fourth quarterly report to Bursa Securities.

Segment Category	Current Quarter Ended 30/09/11 RM'000	Preceding Corresponding Quarter Ended 30/09/10 RM'000*	Current Year To Date Ended 30/09/11 RM'000	Preceding Corresponding Year To date Ended 30/09/10 RM'000*
Smartware™ (RFID middleware and Smartware addons)	(330)	N/A	193	N/A
RFID Solutions for Manufacturing and Logistics	(111)	N/A	(596)	N/A
RFID Library Solutions	(357)	N/A	(39)	N/A
RFID Container Management System and Security Services	(31)	N/A	(337)	N/A
Others	-	N/A	(123)	N/A
Segment Results	(829)	N/A	(902)	N/A
Unallocated Costs	(220)	N/A	(1,047)	N/A
Other Income	141	N/A	276	N/A
Profit /(loss) before taxation:	**(908)**	**N/A**	**(1,673)**	**N/A**

*No comparative figures are available as this is the fourth quarterly report to Bursa Securities.

A10. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review.

A11. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the current financial quarter under review.

A12. Other commitments

A Customised RFID Seal Development and Manufacturing Agreement between the Company and Shanghai Super Electronics Technology Company Limited was signed on 28 June 2011 and will incur a total cost of USD1,917,600. The amount of USD800,000 has been paid upon signing of the agreement whilst USD375,280 has been paid in this current quarter for the development of new RFID Seal and reader for the Royal Malaysia Customs Security and Trade Facilitation Project. The remaining USD742,320 is expected to be incurred in the first quarter of the Group’s FYE 30 September 2012 for the delivery of new RFID Seals, readers, and mobile readers for the purpose of the commercialization of the Security and Trade Facilitation Project. For more information on the Security and Trade Facilitation Project with the Royal Malaysian Customs, please refer to B1 of the explanatory notes.

A13. Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter under review.

A14. Contingent assets or liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at reporting date.

A15. Material events subsequent to the end of the quarter

There are no subsequent material events to the end of the financial quarter under review.

A16. Significant related party transactions

There are no related party transactions during the current financial quarter.

B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of the performance of the Group

For the current financial quarter ended ("**FPE**") 30 September 2011, the Group recorded revenue of RM0.196 million and loss before tax of RM0.908 million. The sales of RM0.196 million were mainly contributed from the delivery of RFID solutions and sales of the Group's Smartware product.

The Group's loss before tax of RM0.908 million for the quarter ended 30 September 2011 was mainly due to operational expenses totalling RM1.226 million which comprised of day-to-day expenses such as staff cost, travelling expenses, selling and distribution expenses and administrative expenses.

The Group together with the Royal Malaysian Customs has completed the pilot trial run of the Security and Trade Facilitation System using RFID ("**Custom Project**") on 31 August 2011. The results obtained from the trial run have been positive and successful. To date, 22 key customs checkpoints have been covered under the Custom Project and the management is in continuous discussions with various parties such as the freight associations, government bodies, and the Royal Malaysian Customs to set the pricing of service, regulatory framework and also the commercial agreement in order to expedite commercialisation of the Custom Project as soon as possible. The roll-out will require continuous commitment from the Group as the size of the Custom Project increases and workforce demand may continue to increase in the future.

In ensuring the successful completion of the pilot trial run within the prescribed timeline, i.e. from 1 June 2011 to 31 August 2011, a high level of commitment was placed on the Custom Project during the period to ensure its success as the Custom Project is expected to generate long term recurring revenue for the Group. As a result of the diversion in resources, the Group was unable to secure sufficient sales from other projects due to limited marketing efforts and had suffered losses for the preceding quarter ended 30 June 2011 and current quarter ended 30 September 2011. In relation to the recent workforce limitation issue and to address the matter, the management is currently on active recruitment drives for skilled personnel namely, project managers, sales personnel, software engineers and technical support. However, such recruitment process will take time as the management needs to ensure that suitable personnel who can meet the management's expectations are hired. The Custom Project implementation and commercialisation is a nationwide roll-out which will involve progressive installations at key customs checkpoints and other checkpoints throughout Malaysia of which the extent of installation will depend on demand and traffic volume at those checkpoints.

Nevertheless, the management of the Group is cognizant that sufficient resources would need to be available to pursue and secure other projects to bolster the Group's revenue and will continuously strengthen its sales force to ensure performance in the coming quarters. The management will strive to balance between its operational costing and timing of increase in staff size to cater to the current projects and continuous marketing efforts to secure future projects.

The Group's loss before taxation for the year-to-date period ended 30 September 2011 was recorded at RM1.673 million mainly due to lacklustre sales particularly for the preceding quarter ended 30 June 2011 and current quarter ended 30 September 2011 as discussed above. The Group's year-to-date period ended 30 September 2011 operational expenses amounted to RM4.340 million (which includes mainly operational costs such as staff costs, marketing and travelling expenses, and administrative costs), out of which RM0.740 million have been attributed to one-off the cost incurred for its initial public offering and other costs such as professional advisory fees and also RM0.271 million which was attributed to realised loss on foreign exchange. The Group is taking cautionary measures to monitor its day-to-day expenses in light of its relatively low sales level. Expenses incurred have been mainly related to the Group's efforts towards commercialising the Custom Project and also expanding its staff size and marketing efforts to cater to the work demand of both the Custom Project and securing other new RFID projects.

During the FPE 30 September 2011, the Group had conducted trainings for the Malaysian customs' personnel, and held awareness workshops under the Custom Project. The Group has also participated and promoted the Custom Project during the National ICT Conference 2011 held on 7th and 8th July 2011 in Putrajaya, Malaysia. In addition, the Group has also participated in various trade shows and forums such as the GS1 Malaysia Supply Chain and Logistics Summit 2011 and the RFID User Conference and Technology Exhibition organized by the National RFID Centre, and SPRING Singapore.

The increase in the Group's property, plant and equipment from about RM8.442 million for the FPE 30 June 2011 to RM14.298 million for the FPE 30 September 2011 has been mainly attributed to the capital expenditure incurred to set up the critical equipment at key checkpoints for the Customs Project and also the completion of purchase in August 2011 of the Group's office in Penang amounting to RM1.300 million.

B2. Comparison To The Results Of The Preceding Quarter

	Current Quarter 30/09/11 RM'000	Preceding Quarter 30/06/11 RM'000
Revenue	196	14
Profit / (Loss) before tax	(908)	(1,210)

Revenue of the Group had increased to RM0.196 million for the FPE 30 September 2011 as compared to FPE 30 June 2011 mainly due to sales from the Group's Smartware and RFID solutions provided for new and existing customers. The Group's loss before taxation for the FPE 30 September 2011 was recorded at RM0.908 million, representing an improvement of RM0.302 million as compared to the FPE 30 June 2011 mainly due to higher level of sales recorded and a significantly lower amount of listing related expenses incurred for the current period, offset by the provision for non-executive directors' fee of RM0.192 million

B3. Prospects

With the completion of the pilot trial run of the Custom Project, and current work-in-progress to expedite the commercialisation of the Custom Project underway, the management believes that this will provide a catalyst in encouraging more subscribers for its RFID system in Thailand as more connectivity is provided for many users that travel between Malaysia and Thailand. To date, the Group has only invested approximately RM0.033 million in terms of capital expenditure in its Thailand operations. The use of the Group's RFID-enabled service provided under the land checkpoint project in Thailand is expected to serve as a consistent revenue stream for the Group. However, due to the recent floods in Thailand, the management believes this will have an impact on the amount of revenue generated from the RFID system in Thailand. Nonetheless, the current quantum of revenue contribution from the Group's Thailand operations is still relatively small.

As the roll-out plan for the Custom Project develops, particularly in terms of covering sufficient key checkpoints which are known to have high container traffic, working with various parties to come up with the right pricing for the service, working to formalise the agreement for the Customs Project and aiding in setting a conducive regulatory framework, barring unforeseen circumstances, the management expects the Custom Project to contribute to the Group's revenue commencing from the second quarter of its FYE 30 September 2012 onwards. As it will take some time before the Custom Project is up for commercialisation and gains momentum, the Group will continue to balance its resources in building its recurring revenue business model under the customs related operations in Malaysia and Thailand and also to focus on securing new projects to bolster the Group's overall revenue in the coming quarters.

B4. Profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter under review or in any public documents.

B5. Taxation

	Current Quarter 30/09/11 RM'000	Year to Date Ended 30/09/10 RM'000
Current tax expense	*	*
	*****	*****

* Less than RM1,000

The effective tax rate of the Group remained low as the company was accorded the MSC (Multimedia Super Corridor) status and was granted Pioneer Status on 11th July 2007 which exempts 100% of its eligible statutory business income for a period of five (5) years, which can be extended for a further period of five (5) years.

B6. Sales of unquoted investment and property

There were no changes in the unquoted investment and property in the current financial quarter under review and financial year-to-date.

B7. Quoted securities

There were no purchases or disposals of quoted securities during the current financial quarter under review and financial year-to-date.

B8. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

B9. Status of utilisation of proceeds

The Company was listed on 18 April 2011 on the ACE Market of Bursa Securities. The status of utilisation of the gross proceeds of RM17.67 million from the public issue by the Group as at 30 September 2011 are as follows:-

Purposes	Proposed Amount RM' 000	Amount Utilised RM' 000	Amount Unutilised RM' 000	Timeframe for Utilisation
Project Related Capital Expenditure	8,835	1,777 [1]	7,058	Within 36 months
R & D Expenditure and R&D Related Capital Expenditure	3,357	169 [1]	3,188	Within 24 months
Working capital	3,534	1,517 [2]	2,017	Within 24 months
Estimated listing expenses	1,944	1,905	39*	Within 6 months from listing
Total	**17,670**	**5,368**	**12,302**	

Notes:

*	*In view that the actual listing expenses were lower than estimated, the excess will be utilised for working capital purposes.*

1.	*Related to expenditures to set up equipment and infrastructures for the Security and Trade Facilitation System Project with the Royal Malaysian Customs such as RFID readers, fibre optics cables, pole structures, computers, network equipment and servers.*
2.	*Working capital expenses related to selling and distribution and administrative expenses.*

B10. Group borrowings and debt securities

The Group does not have any borrowings and debt securities in the current financial quarter under review and financial year-to-date.

In terms of inter-Group borrowings, on 17th March 2009, the Company entered into a Revolving Promissory Note (the "Secured Note") with Smartag International Inc. Under the terms of the Secured Note, the Company agreed to advance to Smartag International Inc. from time to time amounts up to an aggregate of USD200,000. The Secured Note is renewable from year to year and all advances are interest free and shall be paid on or before 31st December. The purpose of the Secured Note is to enable Smartag International Inc. to settle any statutory and administrative expenses such as audit fees, filing expenses, secretarial expenses and corporate exercise fees as and when incurred.

B11. Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

B12. Material Litigations

Claim against both the defendants being G.T. & T. Engineering (M) Sdn Bhd ("GTT (M)") and G.T.&T. Engineering Pte Ltd ("GTT(S)")

On 14 April 2009 and 17 March 2010, the Company had claimed from GTT (M) and GTT(S) respectively through the Johor Bahru High Court an amount of RM850,000.00 for the supply of 30,000 units of inferior RFID tags to Johor Port Berhad.

GTT(M) had on 13 May 2009 filed a claim against the Company for an amount of RM108,762.32 under the Johor Bahru Sessions Court *(formerly in Shah Alam Sessions Court)* in respect of damages for replacement of the abovementioned inferior RFID tags (referred to as the "**JB Sessions Court Summons"**). On 8 March 2011, the Company's solicitors had filed its statement of defence and counterclaim, being the claim of RM850,000.00 for the supply of 30,000 units of inferior RFID tags to Johor Port Berhad.

Further to the above and pursuant to a Case Management held on 3 November 2011, the Johor Bahru High Court has fixed the above matters for Hearing of Application on 16 November 2011 to transfer all three (3) suits, being the GTT(S) suit, GTT(M) suit and the JB Sessions Court Summons to the Penang High Court. The Company's solicitors will be filing an application to the Johor Bahru High Court to transfer the mentioned suits to the Penang High Court.

B13. Dividends

The Board of Directors does not recommend any dividends for the current financial quarter under review.

B14. Earnings / (loss) per share

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/09/11	Preceding Corresponding Quarter Ended 30/09/10	Current Year To date ended 30/09/11	Preceding Corresponding Year To date ended 30/09/10
Net profit / (loss) attributable to ordinary equity holders of the Company (RM'000)	(907)	N/A	(1,668)	N/A
Weighted average number of ordinary shares in issue ('000)	227,000	N/A	195,838	N/A
Basic earnings / (loss) per share (sen)	**(0.40)**	**N/A**	**(0.85)**	**N/A**

Diluted earnings per share is not disclosed herein as it is not applicable to the Group.

B15. Disclosure of realised and unrealised profit / losses

	As at 30/09/11 RM'000	As at 30/06/11 RM'000
Realised	9,992	10,903
Unrealised	4	-
Retained profit / (loss)	9,996	10,903

B16. Authorisation for issue

The interim financial statement were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 4 November 2011.

Smartag Solutions Berhad

4 November 2011

BY ORDER OF THE BOARD

Lam Voon Kean

(MIA 4793)

Company Secretary

Pulau Pinang