**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR ONE MONTH ENDED 31 JULY 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **------- Individual Quarter ----** | | **----- Cumulative Quarter -----** | |
|  |  |  |  |  |
|  |  | **Preceding** | **(Unaudited)** | **(Unaudited)** |
|  | **Current** | **Period** |  | **Preceding** |
|  | **Month** | **Corresponding** | **16 months** | **corresponding** |
|  | **Ended** | **Quarter Ended** | **to date ended** | **1 months Period Ended** |
|  | **31 July 2016** | **31 July 2015** | **31 July 2016** | **31 July 2015** |
|  | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
|  |  |  |  |  |
| Revenue | 37 | - | 3,678 | - |
|  |  |  |  |  |
| Cost of Sales | (179) | - | (4,116) | - |
|  |  |  |  |  |
| Gross Profit/(Loss) | (142) | - | (438) | - |
|  |  |  |  |  |
| Other income/(loss) | - | - | 4,116 | - |
|  |  |  |  |  |
| Administrative expenses | (257) | - | (8,629) | - |
|  |  |  |  |  |
| Selling and distribution expenses | (10) | - | (523) | - |
|  |  |  |  |  |
| Other Income/ expenses |  |  |  |  |
| - Share-based compensation pursuant to option granted under the Share Issuance Scheme (“SIS”) | - | - | (6,537) | - |
|  |  |  |  |  |
| Operating Profit/(Loss) | (409) | - | (12,011) | - |
|  |  |  |  |  |
| Finance cost | - | - |  | - |
|  |  |  |  |  |
| Deconsolidation adjustment s | - | - | 755 | - |
|  |  |  |  |  |
| **Profit/(Loss) Before Taxation** | (409) | - | (11,256) | - |
|  |  |  |  |  |
| Taxation | - | - | - | - |
|  |  |  |  |  |
| **Net Profit/(Loss) After Taxation** | (409) | - | (11,256) | - |
|  |  |  |  |  |
| Other comprehensive loss, net of tax  - Foreign currency translation on foreign entity | ^ | - | (555) | - |
|  |  |  |  |  |
| **Total comprehensive income/(loss)** | (409) | - | (11,811) | - |
|  |  |  |  |  |
| **Net Loss attributable to :** |  |  |  |  |
|  |  |  |  |  |
| - Owners of the Company | (409) | - | (11,137) | - |
| - Non-controlling interests | - | - | (119) | - |
|  |  |  |  |  |
| **Net Profit/(Loss)** | (409) | - | (11,256) | - |
|  |  |  |  |  |
| **Total comprehensive income/(loss) attributable to :** |  |  |  |  |
|  |  |  |  |  |
| - Owners of the Company | (409) | - | (11,669) | - |
| - Non-controlling interests | - | - | (142) | - |
|  |  |  |  |  |
| **Total comprehensive income/(loss)** | (409) | - | (11,811) | - |
|  |  |  |  |  |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE MONTH ENDED 31 JULY 2016 (CON’T)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **------- Individual Quarter ----** | | **----- Cumulative Quarter -----** | |
|  |  | **Preceding** | **(Unaudited)** |  |
|  | **Current** | **Period** |  | **Preceding** |
|  | **Month** | **Corresponding** | **16 months** | **corresponding** |
|  | **Ended** | **Quarter Ended** | **to date ended** | **1 months Period Ended** |
|  | **31 July 2016** | **31 July 2015** | **31 July 2016** | **31 July 2015** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| |  | | --- | | Weighted average no. of ordinary shares | | in issue ('000) | | 294,493 | - | 284,062 | - |
|  |  |  |  |  |
| |  | | --- | | Weighted average no. of ordinary shares | | in issue adjusted for the effect of dilutive potential  ordinary shares('000) | | 294,493 | - | 284,062 | - |
|  |  |  |  |  |
| **Earnings/(loss) per ordinary share (sen):** | | |  | |
|  |  |  |  |  |
| Basic earnings/(loss) per share (sen) | (0.14) | - | (3.96) | - |
| Diluted earnings/(loss) per share (sen) | N/A | - | N/A | - |
|  |  |  |  |  |

Notes:

^ Less than RM1,000.

(i) Basic earnings/(loss) per share for the quarter and financial period is calculated based on the net loss divided by the weighted average number of ordinary shares for the quarter and year-to-date respectively.

(ii) Diluted earnings/(loss) per share for the quarter and financial period is calculated based on the net profit/(loss) divided by the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares. No diluted earnings/(loss) per share is disclosed as all potential ordinary shares are anti-dilutive.

(iii) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial period ended (“**FPE**”) 31 March 2015 and the accompanying notes attached to this interim financial report.

(iv) The loss before taxation is arrived at after charging/ (crediting) the following items:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Current**  **Quarter**  **Ended** |  | **16 months**  **to date ended** |
|  |  | **31 July 2016** |  | **31 July 2016** |
|  |  | **RM’000** |  | **RM’000** |
|  |  |  |  |  |
| (a) | Depreciation and amortisation | 141 |  | 2,269 |
| (b) | Gain/ loss on disposal of properties, plant and equipment | - |  | (292) |
| (c) | Allowance for impairment on trade receivables | - |  | 810 |
| (d) | Allowance for impairment on other receivables | - |  | 393 |
| (e) | Share-based compensation pursuant to option granted under the SIS | - |  | 6,537 |
| (f) | Unrealised foreign exchange gain | - |  | (246) |
| (g) | Realised foreign exchange loss | - |  | 234 |
| (h) | (Surplus)/Deficit on disposal / de-consolidation of subsidiary | - |  | (3,683) |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 JULY 2016**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **(Unaudited)** |  |  | **(Unaudited)** |
|  |  | **As at** |  |  | **As at** |
|  |  | **31July 2016** |  |  | **30 June 2015** |
|  |  | **RM'000** |  |  | **RM'000** |
| **ASSETS** |  |  |  |  |  |
|  |  |  |  |  |  |
| **Non-current assets** |  |  |  |  |  |
| Property, plant and equipment |  | 3,545 |  |  | 6,539 |
| Intangible Assets |  | 701 |  |  | 1,268 |
|  |  | 4,246 |  |  | 7,807 |
|  |  |  |  |  |  |
| **Current assets** |  |  |  |  |  |
| Inventories |  | 205 |  |  | 463 |
| Trade receivables |  | 1,631 |  |  | 641 |
| Other receivables, deposits and prepayment |  | 5,109 |  |  | 1,632 |
| Amount owing by the then related company |  | 43 |  |  | - |
| Tax recoverable |  | 1 |  |  | 2 |
| Cash and bank balances |  | 3,875  10,864 |  |  | 2,627  5,365 |
| Assets classified as held for sale |  | 5,000 |  |  | 6,187 |
|  |  | 15,864 |  |  | 11,552 |
| **Total Assets** |  | **20,110** |  |  | **19,359** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **EQUITY AND LIABILITIES** |  |  |  |  |  |
|  |  |  |  |  |  |
| **Equity Attributable to Equity Holders of the Company** |  |  |  |  |  |
| Share capital |  | 34,676 |  |  | 28,326 |
| Accumulated losses |  | (34,188) |  |  | (30,790) |
| Reserves |  | 18,070 |  |  | 17,449 |
| Shareholders' funds |  | 18,558 |  |  | 14,985 |
| Non-controlling interests |  | - |  |  | (123) |
| **Total Equity** |  | 18,558 |  |  | 14,862 |
|  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |
| Trade Payables |  | 298 |  |  | 573 |
| Other payables and accruals |  | 254 |  |  | 3,924 |
| Amount owing to the then related company |  | 1,000 |  |  | - |
| **Total liabilities** |  | 1,552 |  |  | 4,497 |
| **Total equity and liabilities** |  | **20,110** |  |  | **19,359** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Net assets per share attributable to ordinary equity holders of the Company (RM) |  | 0.05 |  |  | 0.05 |

Notes:

(i) The net asset per share for the quarter and financial period is calculated based on the net asset as at 31 July 2016 divided by the number of outstanding ordinary shares as at 31 July 2016.

(ii) The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements of the Group for the FPE 31 March 2015 and the accompanying notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE MONTH ENDED 31 JULY 2016**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  |  |  | **Preceding** |
|  | **16 months** |  | **corresponding** |
|  | **to date** |  | **Period Ended** |
|  | **31 July 2016** |  | **30 June 2015** |
|  | **RM'000** |  | **RM'000** |
| **CASH FLOW FROM OPERATING ACTIVITIES** |  |  |  |
|  |  |  |  |
| Loss Before Taxation | (11,213) |  | (13,229) |
| Adjustments for Non-cash items | 10,139 |  | 6,462 |
| Operating loss before working capital changes | (1,074) |  | (6,767) |
|  |  |  |  |
| Changes in working capital |  |  |  |
| Net change in inventories | 236 |  | (13) |
| Net change in trade and other receivables | (4,929) |  | (2,324) |
| Net change in trade and other payables | (1,709) |  | 2,691 |
|  |  |  |  |
| Net cash flows from operations | (7,476) |  | (6,413) |
| Tax paid | - |  | 1 |
| Net cash flows from operating activities | (7,476) |  | (6,412) |
|  |  |  |  |
| **CASH FLOW FROM INVESTING ACTIVITIES** |  |  |  |
| Interest Received | ^ |  | 39 |
| Cash and cash equivalents of subsidiaries acquired |  |  | 430 |
| Product development costs incurred | - |  | (118) |
| Purchase of plant and equipment | - |  | (622) |
| Proceeds from disposal of Property, plant and equipment | 1,632 |  | 988 |
|  |  |  |  |
|  |  |  |  |
| Net cash flows from investing activities | 1,632 |  | 717 |
|  |  |  |  |
| **CASH FLOW FROM FINANCING ACTIVITIES** |  |  |  |
|  |  |  |  |
| Net proceeds from issuance of shares | 7,890 |  | 4,361 |
| Minority interest | 120 |  | - |
| Net cash flows from financing activities | 8,110 |  | 4,361 |
|  |  |  |  |
| **NET CHANGES IN CASH AND CASH EQUIVALENTS** | 2,166 |  | (1,334) |
|  |  |  |  |
| Effects of Foreign Exchange Translation | 223 |  | (228) |
|  |  |  |  |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | 1,386 |  | 2,948 |
|  |  |  |  |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 3,875 |  | 1,386 |
|  |  |  |  |
| Cash and cash equivalents at end of the financial period comprise the following: | |  |  |
|  |  |  |  |
| Cash and bank balances | 3,875 |  | 1,386 |
| Fixed deposits placed with licensed banks | - |  | - |
|  | 3,875 |  | 1,386 |

Note:

The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements of the Group for the FPE 31 March 2015 and the accompanying notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE MONTH ENDED 31 JULY 2016**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Attributable to owners of the Company** | | | |  |  |  |
|  | **Non-distributable** | | |  | **Distributable** |  |  |  |
|  | **Share Capital** | **Share Premium** | **Foreign Exchange Fluctuation Reserve** | **Share**  **Option**  **Reserve** | **Accumulated Losses** | **Shareholders' Fund** | **Non-controlling Interest** | **Total equity** |
|  | **RM'000** | **RM'000** | **RM'000** | **RM’000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
|  |  |  |  |  |  |  |  |  |
| Balance as at 1 April 2015 | 27,237 | 11,082 | (223) | - | (22,975) | 15,121 | (120) | 15,001 |
| Total comprehensive loss | - | - | (532) |  | (11,213) | (11,745) | (142) | (11,887) |
|  |  |  |  |  |  |  |  |  |
| Share option granted under the SIS | - | - | - | 6,537 | - | 6,537 | - | 6,537 |
|  |  |  |  |  |  |  |  |  |
| Issuance of ordinary shares pursuant to SIS   * at premium | 4,739 | 1,346 | - | (872) | - | 5,213 | - | 5,213 |
| * at par | 2,700 |  |  |  |  | 2,700 | - | 2,700 |
| Share issuance expenses | - | (23) | - | - | - | (23) | - | (23) |
|  |  |  |  |  |  |  |  |  |
| Adjustment on disposal/de-consolidation of subsidiary | - | - | 755 | - |  | 755 | 262 | 1,017 |
| Balance as at 31 March 2016 | 34,676 | 12,405 | - | 5,665 | (34,188) | 18,558 | - | 18,558 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As at preceding period ended 31 March 2015** | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Balance as at 1 April 2014 | 22,700 | 11,258 | 4 | - | (9,833) | 24,129 | (48) | 24,081 |
| Total comprehensive income / (loss) | - | - | (225) | - | (9,950) | (10,175) | (60) | (10,235) |
| Other comprehensive income |  |  |  |  |  |  |  |  |
| Issuance of ordinary shares | 4,537 | (176) | - | - | - | 4,361 | - | 4,361 |
| Balance as at 31 March2015 | 27,237 | 11,082 | (221) | - | (19,783) | 18,315 | (108) | 18,207 |

Note:

(i) The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the FPE 31 March 2015 and the accompanying notes attached to this interim financial report.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**

**Quarterly Report for the Month Ended 31 July 2016**

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

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting, Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial period ended 31March 2015 and the accompanying explanatory notes attached to the interim financial report.

The Group has also adopted all Amendments/Improvements to MFRSs that are relevant and effective for accounting periods beginning on or after 1 April 2015. The adoption of these Amendments/Improvements to MFRSs has not resulted in any material impact on the financial statements of the Group.

**A2. Auditors’ Report of preceding annual financial statements**

The preceding year’s annual financial statements for the period ended 31 March 2015 of the Group were qualified for the following matters:

(i) Property, plant and equipment

As disclosed in Note 4(a) to the financial statements, included in property, plant and equipment of the Group and the Company as at 31 March 2015 are IT equipment and IT equipment under installation amounting to RM2,871,071 and RM3,255,305 respectively that relates to a project which was terminated during the financial period. The directors are confident that the said equipment would have alternative uses which can generate economic benefits to the Group in the future. However, since a substantial portion of the said equipment has yet to be fully deployed as at the date of this report, we were unable to ascertain the directors’ assessment of the recoverable amount of the said equipment in accordance with MFRS 136: Impairment of Assets. Therefore, we could not determine the effect of adjustments, if any, on the financial position of the Group and the Company as at 31 March 2015, or on its financial performance and cash flows for the period then ended.

(ii) Intangible assets

As disclosed in Note 9(iii) to the financial statements, the total carrying amount of intangible assets of the Group and the Company of RM1,391,543 as at 31 March 2015 consists of product development costs that relates to a project which was terminated during the financial period. The directors are confident that the technological knowhow contained in the development costs can be used in alternative projects which can generate economic benefits to the Group in the future. We were unable to ascertain the directors’ assessment of the recoverable amount of the development expenditure in accordance with MFRS 136: Impairment of Assets. Therefore, we could not determine the effect of adjustments, if any, on the financial position of the Group and its related disclosures as at 31 March 2015, or on its financial performance and cash flows for the period then ended.

**A3. Seasonal or cyclical factors**

The Group’s operations are not materially affected by seasonal and/or cyclical factors.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**

**Quarterly Report for the Month Ended 31 July 2016**

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

**A4. Unusual Items affecting assets, liabilities, equity, net income or cash flows**

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

**A5. Material changes in estimates**

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

**A6. Debts and equity securities**

Save for the issuances of 10,894,600 new ordinary shares of RM0.10 each on 8 June 2015; 36,500,000 new ordinary shares of RM0.10 each on 4 March 2016 and 27,000,000 new ordinary shares of RM0.10 each on 27 July 2016 in SMTrack Berhad respectively pursuant to exercise of options under the Offer of Options under Share Issuance Scheme (“SIS”) to eligible employees, there was no other 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 period-to-date.

**A7. Dividends**

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

**A8. Segmental Information**

The Group has only one reportable segment, which is principally engaged in the distribution, research, design and deployment of the radio frequency identification (RFID) tag and operates predominantly in one country, that is, Malaysia. Accordingly, information by operating and geographical segments on the Group’s operations as required by MFRS 8 is not presented.

Further information on the Group’s revenue is discussed in Section B1.

**A9. 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. However, the Company may carry out valuation for certain plant and equipment to ascertain the fair value of the same.

**A10. Capital commitments**

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**

**Quarterly Report for the Month Ended 31 July 2016**

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

**A11. Other commitments**

There were no material other commitments as at the current financial quarter under review.

**A12. Changes in the composition of the Group**

The changes in composition of the Group during the current quarter under review are as follows:

1. On 9 September 2015, the Board of Directors announced to Bursa Malaysia that the Company’s equity interest in Smartag International Inc. ("SII"), a 94.01% owned subsidiary company of the Company, had been diluted from 94.01% to 31.61% as a result of issuance of restricted common stocks in SII to new shareholders. Following the dilution, SII ceased to be a subsidiary and became a 31.61% owned associate company of the Company.

On 30 March 2016, the Board of Directors announced to Bursa Malaysia that the Company disposed its entire 31.61% equity interest amounting to 10 million ordinary shares in Smartag International Inc. (“SII”) at a prevailing market price of USD0.0006 cents per share quoted on the Over-The-Counter (“OTC”) market in the United States for a total consideration of USD6,000 on 29 March 2016 (at the date of the United States) (“the Disposal”). Following the disposal, SII ceased to be an associate company of the Company.

1. On 11 November 2015, the Board of Directors announced to Bursa Malaysia that the Company entered into a Sale and Purchase Agreement with Sun Bright International Holding Limited for the disposal of the entire issued and paid-up share capital of LEYS International Limited, a wholly-owned subsidiary of the Company, comprising 2 ordinary shares of HKD1.00 each, for the share transfer price of HKD2.00. Following the disposal, LEYS International Limited ceased to be a subsidiary of the Company.

**A13. Contingent assets or liabilities**

Save as disclosed in the quarterly reports, 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 performance of the Group as at reporting date.

**A14. Material events subsequent to the end of the quarter**

There are no material events subsequent to the end of the reporting quarter that have not been reflected in the financial quarter under review.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**

**Quarterly Report for the Month Ended 31 July 2016**

**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 financial month ended (“**FME**”) 31 July 2016, the Group recorded a revenue of RM3.68 million which represents an unfavourable performance compared to RM1.95 in the preceding year corresponding period. The decrease in revenue for the current month was mainly due to by slower and lesser in sales software solutions and related equipment supplies in the local market.

The Group recorded a loss after taxation of RM11.28 million for FME 31 July 2016 as compared to a loss after taxation of RM9.95 million registered in the preceding year corresponding period. The increase in current year to date’s loss was mainly due to addition in consultation fees for the proposed restructuring exercise and directors’ fees. For the current period.

For the current month ended 31 July 2016, the Group recorded a revenue of RM37,000 and loss before taxation of RM409,000 as compared to a revenue and a loss before taxation of RM531,000 and RM7.82 million respectively for the preceding year corresponding quarter. The drop in revenue in the current month was mainly due to slow in sales of software solutions and related equipment supplies. However, the decrease in losses for the current month as compared to preceding year corresponding quarter was mainly due to the share option of RM6.54 million being provided in the preceding year corresponding quarter.

**B2. Comparison to the Results of the Preceding Quarter**

|  |  |  |
| --- | --- | --- |
|  | **Current Quarter Ended** | **Preceding Quarter Ended** |
|  | **31 July 2016** | **30 June 2016** |
|  | **RM'000** | **RM'000** |
| Revenue | 37 | 226 |
| Profit/(Loss) before tax | (409) | (2,734) |

Revenue of the Group decreased to RM0.37 million for the current month ended 31 July 2016 as compared to RM0.23 million registered in the preceding quarter ended 30June 2016 due to slow in sales from software solutions and related equipment supplies. The Group recorded a loss before taxation for the current month ended 31 July 2016 of RM0.41 million as compared to preceding quarter ended 30 June 2016’s loss before taxation of RM2.73 million. The reduction in loss before tax for the current month was mainly due to significant increase in consultation fees for the proposed restructuring exercise and directors’ fees being paid in the preceding quarter.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**

**Quarterly Report for the Month Ended 31 July 2016**

**B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT’D)**

**B3. Prospects**

The Group will also be focusing with its regional business expansion to China market for new potential track and traceability software solutions. In this respect, the recent tie-up with the Nan Fang Ping Tai or Southern China Logistics Information Platform, a Guangdong government sponsored single window initiative, augurs well for the Group as we are well positioned to take advantage of any new online businesses including exports from China using e-Commerce with track and trace capabilities as well as imports into China including Malaysian made Halal food products.

In view of the uncertain domestic economic conditions, the Group is anticipating a challenging year in 2016/2017 and will continue its efforts to diversify both locally and regionally in order to consolidate its revenue streams.

**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 Ended** | **16 Months**  **Period Ended** |
|  | **31 July 2016** | **31 July 2016** |
|  | **RM'000** | **RM'000** |
| Current tax expense | - | - |

There is no tax expense for the current quarter and current year to date as majority of the Company’s business income are exempted under Pioneer Status, and further there is no taxable profit for the financial period. The Company was accorded the MSC (Multimedia Super Corridor) status and granted Pioneer Status on 11 July 2007 which exempts 100% of its eligible statutory business income for a period of five (5) years, which has been extended for a further period of five (5) years till 11 July 2017.

**B6. Status of Corporate Proposal**

1. On 21 May 2015, the Board of Directors announced to Bursa Malaysia that the Company entered into a Share Sale Agreement with One Trooper Systems Sdn Bhd (“One Trooper”) to dispose its 50% equity interest in My Record Sdn Bhd (formerly known as Sure-Reach Smatag Sdn Bhd) comprising 5,015,000 ordinary shares of RM1.00 each for a cash disposal consideration of RM5,000,000. The Company had received a deposit sum equivalent to 10% of the Disposal Consideration amounting to Ringgit Malaysia Five Hundred Thousand (RM500,000.00).As at the date of this report, the Share Sale Agreement (“SSA”) is pending fulfillment of the conditions precedent in accordance with the terms of the SSA.

On 18 February 2016, the Company had written to One Trooper to seek for an official reply in respect of the due diligence conducted by them on My Record Sdn. Bhd. pursuant to the SSA and the Board of Directors had agreed to grant a further period of three (3) weeks until 12 March 2016 for One Trooper to respond officially in writing.

On 1 March 2016, the Company received notice from One Trooper stating that they did not intend to proceed with the said acquisition which resulting in the termination of the said agreement.

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**B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT’D)**

1. On 11 November 2015, the Board of Directors announced to Bursa Malaysia that the Company entered into a Sale and Purchase Agreement with Sun Bright International Holding Limited for the disposal of the entire issued and paid-up share capital of LEYS International Limited, a wholly-owned subsidiary of the Company, comprising 2 ordinary shares of HKD1.00 each, for the share transfer price of HKD2.00. Following the disposal, LEYS International Limited ceased to be a subsidiary of the Company.
2. On 30 March 2016, the Board of Directors announced to Bursa Malaysia that the Company disposed its entire 31.61% equity interest amounting to 10 million ordinary shares in Smartag International Inc. (“SII”) at a prevailing market price of USD0.0006 cents per share quoted on the Over-The-Counter (“OTC”) market in the United States for a total consideration of USD6,000 on 29 March 2016 (at the date of the United States) (“the Disposal”). Following the disposal, SII ceased to be an associate company of the Company.

**B7. Group borrowings and debt securities**

As at the reporting date, the Group does not have any borrowings and debt securities.

**B8. Off balance sheet financial instruments**

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

**B9. 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.

Subsequently, GTT(M) filed a counterclaim 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”).

After the close of pleadings, the cases (namely the Company’s suits against GTT (M) and GTT(S) and GTT(M)’s counterclaim) were consolidated and transferred to the Penang High Court. Thereafter, the Penang High Court transferred the cases to the Penang Sessions Court because the amount claimed by the respective parties were within the jurisdiction of the Sessions Court.

Trial dates had previously been fixed but the trial were postponed for various reasons. At the latest, trial was fixed on 10 August 2015. However, the trial did not proceed because the Company had filed an application for leave to amend its Statement of Claim, which was subsequently allowed by the Penang Sessions Court. Parties have filed their respective amended Statement of Claim and amended Statement of Defence.

The case was settled out of court on 13 June 2016.

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**B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT’D)**

**B10. Dividends**

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

**B11. Earnings / (loss) per share**

**a) Basic earnings/(loss) per share**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Individual Quarter** | | **Cumulative Quarter** | |
|  |  | **Preceding** |  | **Preceding**  **3 Months** |
|  | **Current**  **Quarter** | **Corresponding Quarter** | **15 Months**  **to date** | **Corresponding Period** |
|  | **Ended** | **Ended** | **ended** | **To date ended** |
|  | **31 July 2016** | **31 July 2015** | **31 July 2016** | **31 July 2015** |
| Net profit/(loss) attributable to ordinary equity holders of the Company (RM’000) | (409) | - | (11,137) | - |
| Weighted average number of ordinary shares in issue (‘000) | 294,493 | - | 284,062 | - |
| **Basic earnings/(loss) per share (sen)** | (0.14) | - | (3.96) | - |

**b) Diluted earnings/(loss) per share**

No diluted earnings/(loss) per share is disclosed as all potential ordinary shares are anti-dilutive.

**B12. Disclosure of realised and unrealised profits or losses**

|  |  |  |
| --- | --- | --- |
|  | **As at** | **As at** |
|  | **30 June 2016** | **31 July 2015** |
|  | **RM'000** | **RM'000** |
| Total accumulated losses of the Company and its subsidiaries |  |  |
| - Realised | (34,434) | - |
| - Unrealised | 246 | - |
|  | (34,188) | - |
| Total share of accumulated losses of a jointly controlled entity |  |  |
| - Realised | - | - |
| - Unrealised | - | - |
|  | (34,188) | - |
| Add: Consolidation adjustments | - | - |
| **Total Accumulated losses** | (34,188) | - |

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**B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT’D)**

**B13. Authorisation for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 30 September 2016 .

**SMTRACK BERHAD**

30 September 2016

BY ORDER OF THE BOARD