

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current Quarter Ended 31 January 2018 RM'000	*Preceding Corresponding Quarter Ended 31 January 2017 RM'000	(Unaudited) 6 months to date ended 31 January 2018 RM'000	(Unaudited) *Preceding corresponding 6 months Period Ended 31 January 2017 RM'000
Revenue	-	428	474	1,014
Cost of Sales	-	(534)	-	(1,069)
Gross Profit/(Loss)	-	(106)	474	(55)
Other income /(loss)	-	2	3	10
Administrative expenses	(519)	(406)	(777)	(794)
Selling and distribution expenses	-	-	-	-
Other expenses	-	(3)	-	(6)
Operating Profit/(Loss)	(519)	(513)	(300)	(845)
Finance cost	-	-	-	-
<b>Profit/(Loss) Before Taxation</b>	(519)	(513)	(300)	(845)
Taxation	-	-	-	-
<b>Net Profit/(Loss) After Taxation</b>	(519)	(513)	(300)	(845)
Other comprehensive loss, net of tax				
- Foreign currency translation on foreign entity	-	-	-	-
<b>Total comprehensive income/(loss)</b>	(519)	(513)	(300)	(845)
<b>Net Loss attributable to :</b>				
- Owners of the Company	-	(513)	-	(845)
- Non-controlling interests	-	-	-	-
<b>Net Profit/(Loss)</b>	(519)	(513)	(300)	(845)
<b>Total comprehensive income/(loss) attributable to :</b>				
- Owners of the Company	-	(513)	-	(845)
- Non-controlling interests	-	-	-	-
<b>Total comprehensive income/(loss)</b>	(519)	(513)	(300)	(845)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018 (CON'T)**

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current Quarter Ended	Preceding Period Corresponding Quarter Ended	(Unaudited) 6 months to date ended	(Unaudited) Preceding corresponding 6 months Period Ended
	31 January 2018	31 January 2017	31 January 2018	31 January 2017
Weighted average no. of ordinary shares in issue ('000)	103,690	346,761	103,690	103,690
Weighted average no. of ordinary shares in issue adjusted for the effect of dilutive potential ordinary shares ('000)	103,690	346,761	103,690	103,690
<b>Earnings/(loss) per ordinary share (sen):</b>				
Basic earnings/(loss) per share (sen)	(0.50)	(0.15)	(0.27)	(0.24)
Diluted earnings/(loss) per share (sen)	(0.50)	(0.15)	(0.27)	(0.24)

**Notes:**

- (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 July 2017 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	6 months to date ended
	31 January 2018 RM'000	31 January 2017 RM'000
(a) Depreciation and amortisation	107	548

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 JANUARY 2018**

	(Unaudited) As at 31 January 2018 RM'000	(Audited) As at 31 July 2017 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,661	1,817
Intangible Assets	-	-
	<u>1,661</u>	<u>1,817</u>
<b>Current assets</b>		
Trade receivables	1,986	1,533
Other receivables, deposits and prepayment	9,333	7,331
Amount owing by an associate	-	-
Tax recoverable	1	1
Cash and bank balances	33	9
	<u>11,353</u>	<u>8,874</u>
<b>Total Assets</b>	<u><b>13,014</b></u>	<u><b>10,691</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Company</b>		
Share capital	11,469	8,669
Accumulated profit	697	997
Shareholders' funds	12,166	9,666
Non-controlling interests	-	-
<b>Total Equity</b>	<u>12,166</u>	<u>9,666</u>
<b>Current liabilities</b>		
Trade Payables	182	187
Other payables and accruals	666	838
<b>Total liabilities</b>	<u>848</u>	<u>1,025</u>
<b>Total equity and liabilities</b>	<u><b>13,014</b></u>	<u><b>10,691</b></u>
 Net assets per share attributable to ordinary equity holders of the Company (RM)	 0.18	 0.03

## Notes:

- (i) The net asset per share for the quarter and financial period is calculated based on the net asset as at 31 January 2018 divided by the number of outstanding ordinary shares as at 31 Jan 2018
- (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 July 2017 and the accompanying notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

	6 months to date 31 January 2018 RM'000	Preceding corresponding 6 months Period Ended 31 January 2017 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) Before Taxation	(300)	(847)
Adjustments for Non-cash items	156	941
Operating profit/(loss) before working capital changes	(144)	94
Changes in working capital		
Net change in inventories	-	(3)
Net change in trade and other receivables	(2,455)	(1,847)
Net change in trade and other payables	(177)	(98)
Net cash flows from operations	(2,776)	(1,854)
Tax paid	-	-
Net cash flows from operating activities	(2,776)	(1,854)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Change in investment in jointly controlled entity	-	-
Product development costs incurred	-	-
Purchase of intangible assets	-	(1,959)
Purchase of property, plant and equipment	-	-
Proceeds from disposal of property, plant and equipment	-	-
Net of cash, disposal of net liabilities of subsidiary company	-	-
Net cash flows from investing activities	-	(1,959)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from issuance of shares	2,800	-
Minority interest	-	-
Net cash flows from financing activities	-	-
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	24	(3,813)
Effects of Foreign Exchange Translation	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	9	3,870
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	33	57
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	33	57
Fixed deposits placed with licensed banks	-	-
	33	57

**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 July 2017 and the accompanying notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018

	Attributable to owners of the Company						
	Non-distributable			Distributable			
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Fluctuation Reserve RM'000	Employee Share Option Reserve RM'000	Accumulated Profits RM'000	Shareholders' Fund RM'000	Total equity RM'000
Balance as at 1 August 2017	8,669	-	-	-	997	9,666	9,666
Total comprehensive loss	-	-	-	-	(300)	(300)	300
	-	-	-	-	(300)	(300)	300
<b>Transactions with owners:</b>							
Share issuance	2,800	-	-	-	-	2,800	2,800
<b>Total Transaction with owner</b>	2,800	-	-	-	-	2,800	2,800
Balance as at 31 January 2018	11,469	-	-	-	697	12,166	12,166

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018 (CONT'D)

As at preceding period ended 31 July 2017

	Attributable to owners of the Company							
	Non-distributable		Distributable					
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Fluctuation Reserve RM'000	Employee Share Option Reserve RM'000	Accumulated Losses RM'000	Shareholders' Fund RM'000	Non- controlling Interest RM'000	Total equity RM'000
At 1 August 2016	34,676	17,485	-	-	(34,450)	17,711	-	17,711
Net loss for the financial period	-	-	-	-	(8,044)	(8,044)	-	(8,044)
Foreign currency translation	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(8,044)	(8,044)	-	(8,044)
	34,676	17,485	-	-	(42,495)	9,666	-	9,666
<b>Transactions with owners:</b>								
Transfer pursuant to Section 618(2) of the Companies Act, 2016	17,485	(17,485)	-	-	-	-	-	-
Share capital reduction (4 to 1)	(43,492)	-	-	-	43,492	-	-	-
	(26,007)	(17,485)	-	-	43,492	-	-	-
At 31 July 2017	8,669	-	-	-	997	9,666	-	9,666

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 July 2017 and the accompanying notes attached to this interim financial report.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

**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 31 July 2017 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 August 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 period financial statements**

The preceding period’s financial statements for the period ended 31 July 2017 of the Group were qualified for the following matters:

*1. IT equipment under installation*

As at 31 July 2017, the carrying value for IT equipment under installation as mentioned in the Note 5 recorded in the current year’s financial statements at RM 1,581,092 (31.7.2016: RM1,897,311) that related to a project which was terminated in the previous financial period.

As mentioned in Note 33 to the financial statements, the Company on 7 October 2016 rented out the IT equipment under installation for 2 year commencing from October 2016, to generate economic benefits to the Group and Company. Accordingly, they have been reclassified as IT equipment rented out in the current year’s financial statements.

Although annual depreciation has been provided by the Management, we were unable to ascertain the directors’ assessment of the recoverable amount of the asset and we could not determine the effect of adjustments, if any, that might have been found to be necessary on the financial position of the Group and the Company as at 31 July 2017, or on its financial performance and cash flows for the financial year then ended

**A3. Seasonal or cyclical factors**

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

**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 quarter under review.

**A5. Material changes in estimates**

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

**A6. Debts and equity securities**

There were no issue of debts and equity securities for the quarter under review.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

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

**A7. Dividends**

There were no dividends paid or declared for the 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 their fair value.

**A10. Capital commitments**

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

**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**

There were no changes in composition of the Group during the quarter under review.

**A13. Contingent assets or liabilities**

Save as disclosed in the quarterly reports, the Directors are of the opinion that the Group has no other contingent liabilities which, upon crystallisation would have material impact on the financial position and business performance of the Group as at reporting date.

**A14. Material events pending completion**

- (i) On 17 February 2016 and pursuant to a quotation from a third party of the same date, the Company has issued an advance deposit of RM945,000 to Fragrant Prosperity PLC, a public company incorporated in Jersey, in payment of 50% of the purchase price for the acquisition of “eWallet backend system” and various progressive payments made by the Company.

On 6 December 2016, the Company’s solicitor confirmed that the he has been instructed to prepare an agreement by the parties to formalise the said acquisition to safeguard the intellectual property rights and interests of the Company.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

**A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS ("FRS") 134 (CONT'D)**

**A14. Material events pending completion (cont'd)**

- (ii) On 10 March 2016, the Company announced that it has entered into a joint venture agreement with Cherish Words Sdn. Bhd to participate in a joint venture to undertake sub-contracting works for the design and build of a proposed housing scheme for a statutory body. As at the report date, the Company has provided working capital and advances to CWSB in total of RM5,000,000.

On 17 June 2016, the Company announced that it has entered into a strategic partnership agreement with Cherish Words Sdn. Bhd. (CWSB) and Anhui Construction Engineering (M) Sdn. Bhd. to undertake various construction and civil engineering projects and related activities in the region.

- (i) On 5 October 2016, the Company's solicitor confirmed that the Company has earlier received a non-refundable earnest deposit of RM1,000,000 from an intended purchaser, Foley Union Group Limited, a public company incorporated in Jersey to purchase the 50% equity interest in My Records Sdn. Bhd., the Company's jointly controlled entity for a total consideration of RM5,000,000. The said disposal is subject to due diligence and a formal agreement by the parties, which is expected to be completed within 12 months.

**A15. 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 quarter under review.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

**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 period ended (FPE) 31 January 2018, the Group recorded NIL revenue of which represents an unfavourable performance compared to RM0.428 million in the preceding year corresponding period.

The Group recorded pre-tax losses of RM0.519 million for FPE 31 January 2018 as compared to pre-tax losses of RM0.513 million registered in the preceding year corresponding period.

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

	Current Quarter Ended  31 January 2018  RM'000	Preceding Corresponding Quarter Ended  31 October 2017  RM'000
Revenue	NIL	474
Profit/(Loss) before tax	(519)	240

**B3. Prospects**

The Group will be focusing on its new potential track and traceability software solution systems. In this respect, the Group strives to team-up with other overseas companies to explore the market opportunities for Logistics Information Platforms both locally and overseas, which will augur well for the Group and the Company in the near future. In the same time, the Group is exploring vibrant opportunities presented in the civil engineering and construction projects as well as food chain business.

In view of the uncertain domestic economic conditions, the Group is anticipating a challenging year ahead and will continue its efforts to diversify in various lucrative and sustainable businesses in order to boost the Group's revenue base and income streams.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

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

**B4. Profit forecast and profit guarantee**

The Group did not issue any profit forecast or profit guarantee for the current quarter under review or in any public documents.

**B5. Taxation**

	Current Quarter Ended 31 January 2018 RM'000	Cumulative 6 Months Period Ended 31 January 2017 RM'000
Current tax expense	-	-

Non-pioneer business

There is no tax expense for the current quarter and current year to date as the Group and the Company incurred business losses and have no chargeable income.

Pioneer business

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**

On 23 January 2017 and 20 February 2017, TA Securities announced on behalf of the Board that the Company proposes to undertake the following:

- (i) proposed reduction of the share capital of SMTrack pursuant to Section 116 of the Companies Act 2016 (“Act”) (“**Proposed Share Capital Reduction**”);
- (ii) proposed consolidation of every 4 SMTrack Shares into 1 SMTrack Share after the Proposed Share Capital Reduction (“**Proposed Share Consolidation**”);
- (iii) proposed private placement of up to 26,007,100 new SMTrack Shares (“**Placement Shares 1**”), representing approximately 30% of the total number of issued SMTrack Shares (excluding treasury shares, if any) after the Proposed Share Capital Reduction and Proposed Share Consolidation (“**Proposed Private Placement 1**”);
- (iv) proposed termination of SMTrack’s existing share issuance scheme (“SIS”) (“**Proposed SIS Termination**”); and proposed establishment of a new SIS of up to 30% of the total number of issued SMTrack Shares (excluding treasury shares, if any) at any one time during the duration of the scheme for the eligible persons (“**Proposed New SIS**” or “**New SIS**”).

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

**B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CON'TD)**

**B6. Status of Corporate Proposal (con't)**

(Collectively referred as the “**Announced Corporate Exercises**”)

The proceeds arising from the Proposed Private Placement 1 are intended to be utilised for the payment of estimated expenses and part payment of the Cash Consideration for the Proposed Acquisition.

Bursa Securities had, vide its letter dated 12 April 2017, approved the following:

- (i) Proposed Share Consolidation; and
- (ii) listing of and quotation for the Placement Shares 1 and new SMTrack Shares arising from the exercise of options under the Proposed New SIS on the ACE Market of Bursa Securities.

SMTrack’s shareholders have approved the Announced Corporate Exercises (except for the Proposed SIS Termination which does not require shareholders’ approval) at the Company’s extraordinary general meeting (“**EGM**”) held on 17 May 2017. The Company had, via its legal counsel, filed a petition to the High Court of Malaya, Kuala Lumpur in relation to the Proposed Share Capital Reduction. The Announced Corporate Exercises have not been completed.

On 12 August 2016, the Company entered into a Memorandum of Understanding (“**MOU**”) with the shareholders of Wellspring in relation to the Proposed Acquisition. The sale and purchase agreement on the acquisition was signed on 15<sup>th</sup> June 2017 and announce accordingly.

- (i) Proposed acquisition of up to 100% of the equity interest of Wellspring comprising 230,000,000 ordinary shares in Wellspring Worldwide Limited (“**Wellspring**”) (“**Wellspring Shares**”) (“**Sale Shares**”) from the shareholders of Wellspring for a total purchase consideration of RM310,000,000 (“**Total Purchase Consideration**”) to be satisfied via a combination of issuance of up to 2,071,428,570 new ordinary shares in SMTrack (“**SMTrack Shares**” or “**Shares**”) (“**Consideration Shares**”) at an issue price of RM0.14 each and cash payment of RM20,000,000 (“**Cash Consideration**”) (“**Proposed Acquisition**”);
- (ii) a renounceable rights issue of up to 169,046,325 new SMTrack Shares (“**Rights Shares**”) on the basis of 3 Rights Shares for every 2 existing SMTrack Shares held, together with up to 112,697,550 free detachable warrants (“**Warrants**”) on the basis of 2 Warrants for every 3 Rights Shares subscribed at an entitlement date to be determined (“**Entitlement Date**”) (“**Proposed Rights Issue of Shares with Warrants**”);
- (iii) a mandatory general offer (“**MGO**”) by the Promoters (as defined in Section 3.1.1 of this announcement) and persons acting in concert (“**PAC**”) with them (if any) to acquire all the remaining SMTrack Shares and convertible securities in SMTrack not already owned by the Promoters (as defined in Section 3.1.1 of this announcement) following the Proposed Acquisition (“**Proposed MGO**”); and
- (iv) proposed private placement of up to 10% of the total number of issued SMTrack Shares (“**Placement Shares 2**”) after the Proposed Rights Issue of Shares with Warrants and Proposed Acquisition (“**Proposed Private Placement 2**”).

**B7. Group borrowings and debt securities**

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

**B8. Off balance sheet financial instruments**

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS**

**FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

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

**B9. Material Litigations**

**(i) Suit No: B52NCvC-15/10-2014**

**SMTrack vs. G.T. & T. Engineering (M) Sdn. Bhd. ("Defendant")**

The Company was awarded a Letter of Award from Johor Port Berhad ("JPB") for provision of RFID Security (Access and Control) Solution and Management Services (hereinafter "**Service**" or "**RFID Tags**").

The Company made orders from the Defendant for provision of active RFID Tags.

There was a common understanding between the Company, Defendant and GT&T Engineering Pte Ltd ("**GTTP**") that GTTP will be involved in the provision, delivery and installation of active RFID Tags; and that the RFID Tags provided will be directly and/or indirectly linked to port safety management at JPB.

The dispute arose, among others, when the Defendant & GTTP provided and installed passive RFID Tags at JPB. Passive type RFID Tags were not in line with JPB's specifications.

The Company was forced to uninstall all passive RFID Tags and install active RFID Tags at JPB, wholly at the cost and expense of the Company ("**Compensation Cost**").

Further, the Company claimed that the Defendant and GTTP have been unjustly enriched as The Company has paid the Defendant and GTTP the price of active RFID Tags even when passive RFID Tags were installed ("**Overpaid Cost**").

The Company claimed against the Defendant and GTTP the Compensation Cost, an interest of 8% per annum on the Compensation Cost from 12 November 2008 until full settlement, the Overpaid Cost and other ancillary reliefs to be provided by the Court.

Defendant had also made a Counterclaim against the Company for alleged overdue payment for delivery and installation for RFID Tags.

Consent judgment was recorded on 3 August 2016, the parties had reached settlement and the payment of RM100,000 had been remitted to the Company.

The Company was awarded a Letter of Award from JPB for provision of RFID Security (Access and Control) Solution and Management Services (hereinafter "**Service**" or "**RFID Tags**") subsequent to an open tender by JPB.

The Company made orders from GT&T Engineering (M) Sdn Bhd ("**GTTSB**") for provision of active RFID Tags. There was a common understanding between the Company, Defendant and GTTSB that the Defendant will be involved in the provision, delivery and installation of active RFID Tags; and that the RFID Tags provided will be directly and/or indirectly linked to port safety management at JPB.

The dispute arose, among others, when the Defendant & GTTSB provided and installed RFID Tags at JPB. Passive type RFID Tags were not in line with JPB's specifications.

The Company was forced to uninstall all passive RFID Tags and install active RFID Tags at JPB, wholly at the cost and expense of the Company ("**Compensation Cost**").

Further, the Company claimed that the Defendant and GTTSB have been unjustly enriched as the Company has paid the Defendant and GTTSB the price of active RFID Tags even when passive RFID Tags were installed ("**Overpaid Cost**").

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JANUARY 2018**

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

**B9. Material Litigations (Cont'd)**

**(i) Suit No: B52NCvC-15/10-2014 (Cont'd)  
SMTrack vs. G.T. & T. Engineering (M) Sdn. Bhd. ("Defendant")**

The Company claimed jointly and severally against the Defendant and GTTSB the Compensation Cost, an interest of 8% per annum on the Compensation Cost from 12 November 2008 until full settlement, the Overpaid Cost and other ancillary reliefs to be provided by the Court.

Parties had reached settlement and consent judgment was recorded on 3 August 2016.

The Company's claim against Defendant was withdrawn without liberty to re-file afresh and with no order to cost.

**(ii) Industrial court case no. 22/4-387/16(continued)  
Lor Ching Peng ("LCP") vs. SMTrack**

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

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

On 1 September 2016, the Company's solicitors filed its statement of defence stating that the claimant had earlier voluntarily tendered his resignation by giving a 6 months' notice to the Company, but during certain part of the notice period, he failed to report to work. The case management was fixed on 24 January 2017 and was subsequently adjourned to 21 February 2017. During the case management held on 21 February 2017, the Kuala Lumpur Industrial Court fixed the matter for trial on 15 and 16 January 2018 and further case management for direction on trial on 2 November 2017.

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

In addition, the Company's solicitors had also filed a write of summons in the Bandar Baru Bangi Sessions Court and Bandar Baru Bangi Magistrate Court claiming for a sum of RM461,385.29 and RM86,084.57 respectively.

The Company's solicitor opined that the counter-claim is remote as the said letter of award is not signed and OSB has to prove the existence of a valid contract between the parties.

**(iii) Kuala Lumpur Session Court Summon No. WA-A52C-66-08/2016  
SMTrack Berhad ("SMT") vs. Observision Sdn. Bhd. ("OSB")**

On 29 August 2016, the Company claimed against the defendants at the Kuala Lumpur Session Court, an outstanding amount of RM152,733 for the supply and delivery of goods.

On 7 October 2016, OSB filed a counter claim for the breach of the Outsource Service Agreement dated 3 September 2014 in respect of a project related to "supply, install and commissioning of extra low voltage equipment and infrastructure for certain housing projects".

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

**B9. Material Litigations (con't)**

**(i) Kuala Lumpur Session Court Summon No. WA-A52C-66-08/2016 (Cont'd)  
SMTrack Berhad ("SMT") vs. Observision Sdn. Bhd. ("OSB")**

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

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

On 14 November 2016, the Company applied for a Summary Judgement for the default in payment of the outstanding sum and the Company has also filed an application to strike out the above counter-claim.

The case was fixed for hearing on 5 January 2017, on the same day, the Court instructed the parties to file written submission by 25 January 2017. The court has fixed 21 February 2017 for decision of the Company's application for Summary Judgment. OSB has withdrawn its application to transfer the matter to High Court on 5 January 2017. On 21 February 2017, the Court dismissed the Company's application for Summary Judgement with order for cost and the next case management was fixed on 7 March 2017.

On 23 November 2017, the Company had succeeded in getting a judgment against Observision for the amount of RM 461,385.

**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	
	Current Quarter Ended 31 January 2018	Preceding Corresponding Quarter Ended 31 January 2017	6 Months to date ended 31 January 2018	Preceding 6 Months Corresponding Period To date ended 31 January 2017
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	(519)	(513)	(279)	(847)
Weighted average number of ordinary shares in issue ('000)	103,690	346,761	103,690	346,761
<b>Basic earnings/(loss) per share (sen)</b>	<b>(0.50)</b>	<b>(0.15)</b>	<b>(0.27)</b>	<b>(0.24)</b>

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

**B11. Earnings / (loss) per share (cont'd)**

**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 31 January 2018 RM'000	As at 31 January 2017 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	697	(35,438)
- Unrealised	-	-
	697	(35,438)
Total share of accumulated losses of a jointly controlled entity		
- Realised	-	(11)
- Unrealised	-	-
	697	(35,449)
Add: Consolidation adjustments	-	116
<b>Total Accumulated losses</b>	<b>697</b>	<b>(35,333)</b>

**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 29<sup>TH</sup> March 2018

**SMTRACK BERHAD**  
29<sup>TH</sup> March 2018  
BY ORDER OF THE BOARD