

SMTRACK BERHAD [Registration No.: 20040100918 (639421-X)]

ANNUAL REPORT 2021

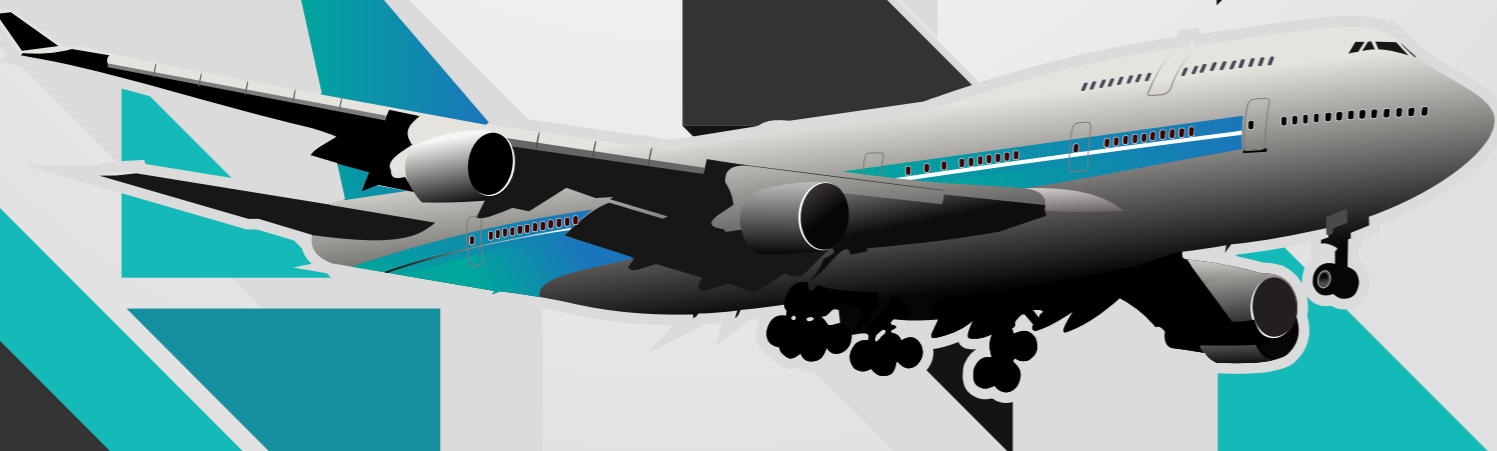
SMTRACK

STAYING A STEP AHEAD
FOR A BETTER FUTURE

**ANNUAL
REPORT
2021**

SMTRACK BERHAD (639421-X)
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Sri Shaharuddin Bin Khalid
Independent Non-Executive Chairman

Azmi Bin Osman
Deputy Executive Chairman

Dato' Zaidi Bin Mat Isa @ Hashim
Executive Director
Re-designated on 15 July 2021

Datuk Wira Justin Lim Hwa Tat
Executive Director, President
Appointed on 7 January 2022

Datuk Seri Tan Choon Hwa
Non-Independent Non-Executive Director, Vice President
Appointed on 7 January 2022

Dato' Saiful Nizam Bin Mohd Yusoff
Independent Non-Executive Director
Appointed on 22 July 2021

Mahnorizal Bin Mahat
Senior Independent Non-Executive Director

Tan Chee Keang
Independent Non-Executive Director
Appointed on 9 September 2021

Datuk Chua Wei Kee
Resigned on 1 September 2021

Ng Swee Tuo
Resigned on 22 July 2021

AUDIT & RISK MANAGEMENT COMMITTEE

Mahnorizal Bin Mahat (*Chairman*)
Dato' Saiful Nizam Bin Mohd Yusoff (*Member*)
Tan Chee Keang (*Member*)

REMUNERATION COMMITTEE

Azmi Bin Osman (*Chairman*)
Mahnorizal Bin Mahat (*Member*)
Dato' Zaidi Bin Mat Isa @ Hashim (*Member*)
Tan Chee Keang (*Member*)

NOMINATING COMMITTEE

Mahnorizal Bin Mahat (*Chairman*)
Dato' Saiful Nizam Bin Mohd Yusoff (*Member*)
Tan Chee Keang (*Member*)

AUDITORS

Russell Bedford LC PLT
Suite 37, Level 21, Mercu 3
No.3, Jalan Bangsar, KL Eco City
59200 Kuala Lumpur, Malaysia
T: 603 2202 6666
F: 603 2202 6699

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)
SSM Practising Certificate No. 201908000410

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: (603) 22415800
Fax: (603) 22825022

PRINCIPLE BANKERS

CIMB Bank Berhad (13491-P)
Malayan Banking Berhad (3813-K)

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim, Seksyen
13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7890 4700
Fax: (603) 7890 4670

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities
Berhad
Stock Name: SMTRACK
Stock Code: 0169
Sector: Technology

CORPORATE PROFILE

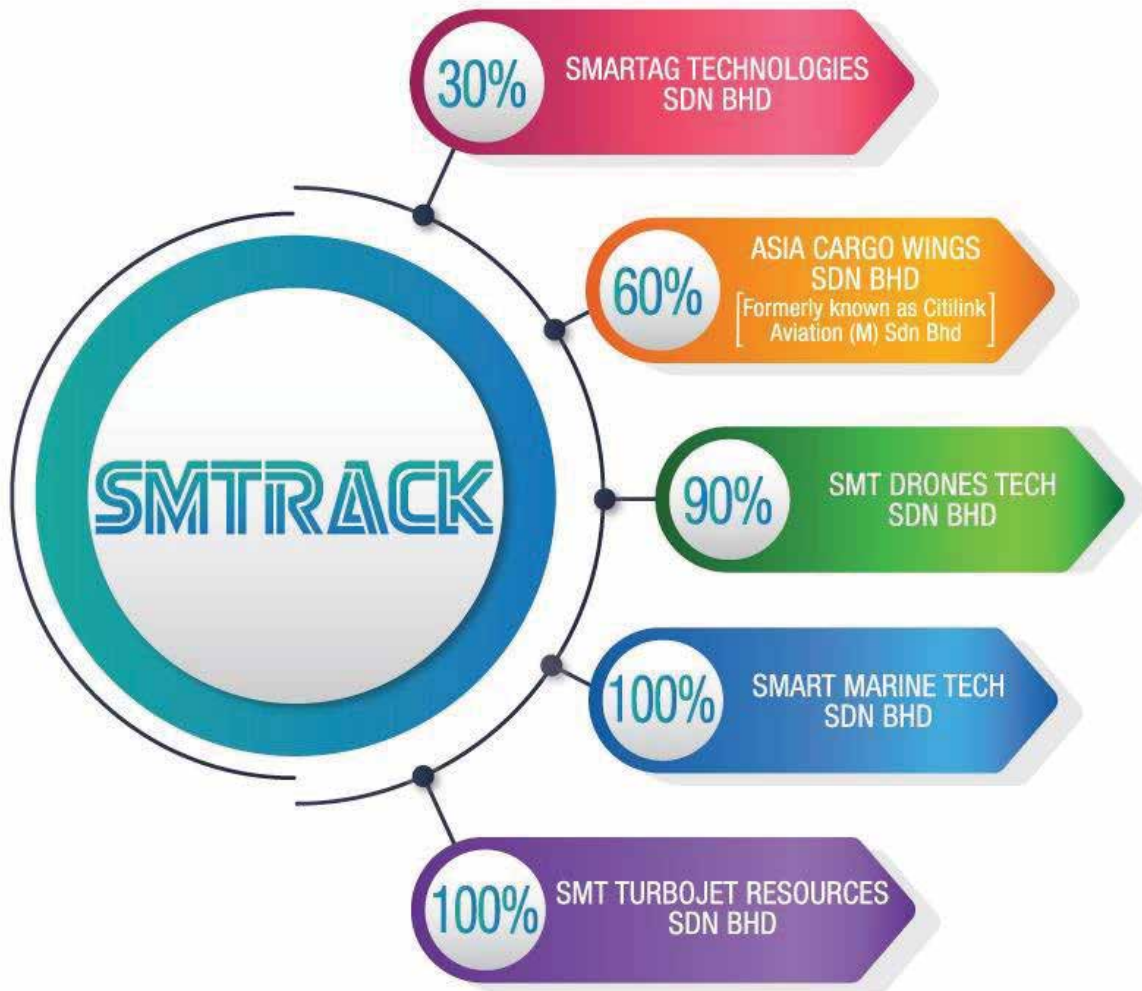
SMTrack Berhad (“SMTrack”) was listed in the ACE Market of Bursa Malaysia Securities Berhad in 2011. During our IPO, SMTrack was more than 300 times over-subscribed, one of the highest ever recorded over option on the Malaysian Stock Exchange. Its primary business activity is in information technology in general and in this respect its specialty is in providing online track and trace solutions and platforms using its state of the art RFID technology coupled with a first-class tracking engine dubbed as SMTrack.

Since its IPO, SMTrack was awarded a project under the PEMANDU Economic Transformation Programme whereby the company entered into an agreement in August 2012 with the Royal Malaysian Customs to provide electronic seals to track thousands of containers moving from one custom check point to another. This project, better known as customs Secured Trade Project, was aimed at providing an efficient method for shippers to clear customs check points for containers carrying transit and trans-shipment cargo as the customs would rely on the electronic seal which provides online monitoring there by reducing the queue and the necessity for customs officers to inspect the cargo.

SMTrack had acquired a subsidiary called Asia Cargo Wings Sdn Bhd (formerly known as Citilink Aviation (M) Sdn Bhd) to carry out cargo airfreight business in July 2019, recognizes to be the potential of Air Freighter Services needs and to be based in Kuala Lumpur International Airport’s (KLIA). The uniqueness of KLIA Airport position in the regional and national economy and its desire to derive added value from its location in the midst of a region of high - level commercial, transportation and logistics activities. With the aircraft fleet of Boeing 737-400 series, SMTrack had projected to ensure that the operating cost will be kept as low as possible to generate maximum revenue while offering a reliable service with reasonable fare. In view of the high demand for air cargo services, SMTrack had begun to transport air cargo with cargo business collaboration with Cainiao. SMTrack outlook for air cargo industry is likely to remain stable in the near term due to the sustained demand for air cargo services from the growth in e-commerce transactions, the use of air cargo services to transport high value-to-weight ratio goods, as well as the growth in international and domestic trade activities.



GROUP STRUCTURE



LETTER TO SHAREHOLDERS

Dear Shareholders

Another year has passed and I am pleased to present, on behalf of the Board of Directors of the Company, the Annual Report and the Audited Financial Statements for the financial period ended 31 December 2021 of SMTrack Berhad.

During the year, the Management is reiterating our commitment to cultivate revenue growth of higher profit margin products, driving cost down, efficiency savings and improve our Current Ratio. Our Group will continue focusing on creating values for all stakeholders with the regular evaluation of the effectiveness of the Group strategies. This will improve the core business models and achieve sustainable profitability in the long run.



In 2020, SMTrack diversified into cargo airfreight business, recognizes to be the potential of Air Freighter Services needs and to be based in Kuala Lumpur International Airport's (KLIA). The uniqueness of KLIA Airport position in the regional and national economy and its desire to derive added value from its location in the midst of a region of high - level commercial, transportation and logistics activities. With the aircraft fleet of Boeing 737-400 series, SMTrack had projected to ensure that the operating cost will be kept as low as possible to generate maximum revenue while offering a reliable service with reasonable fare. In view of the high demand for air cargo services, SMTrack had begun to transport air cargo with cargo business collaboration with other agencies to benefit neighbouring countries in the SEA region such as Vietnam, Thailand, Malaysia and many more countries.

SMTrack had, on 20 October 2020, entered into a conditional Subscription Agreement with AOF and AOF1 for the proposed notes issue entails the issuance of redeemable convertible notes with an aggregate principle amount of up to RM120 million, which will mature on the date falling 60 months from the date of the first sub-tranche of the Tranche 1 Notes.

On 24 November 2021, the Company had announced its proposal to undertake a private placement comprising the issuance of up to 91,531,500 new ordinary shares ("Placement Shares") representing not more than twenty (20) per centum of the total number of issued ("Proposed Private Placement"), and made an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities. The Group had raised approximately RM6.7 million from the Proposed Private Placement whereby the proceeds was utilised for expenses in respect of the Cainiao Services, expansion of the air cargo business and expenses relating to Proposed Private Placement.

Moving forward, the Group will work towards overcoming the challengers it faces and strives to turnaround the Group's financial performance in the coming years to better figures through various measures and strategies.

On Behalf of the Board of Directors, I wish to extend my thanks to my fellow Board members for their valuable advice and contributions and staff and management in their dedication in carrying out their duties over the past year I also wish to extend my gratitude and appreciation to our customers, shareholders, financial institution for your continuous support and confidence placed in us.

Further information of SMTRack's performance in the financial year is detailed in the Management Discussion and Analysis on page 7.

Dato' Sri Shaharuddin Khalid
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors of SMTrack Berhad, it is my pleasure to present to you the Management Discussion and Analysis (“MDA”) on the Group. The objective of this MDA is to provide shareholders with a better understanding and an overview of the Group’s business, operations, financial position in the year 2021 and the outlook for the year 2022.

OVERVIEW

SMTrack Berhad is listed on the ACE Market of Bursa Securities under the subsector of technology equipment. The company has an issued share capital of RM86,851,816.994 comprising 769,189,149 shares at 31 March 2022. Accordingly, the concept of “authorised share capital” and “par value” have been abolished.

FINANCIAL RESULTS REVIEW

The Group had changed its year ended from July 2021 to December 2021 to allow the Management/Auditors to have more time to complete the final accounts and audit due to the movement control order (MCO) and lockdown implemented by the Government whereby only certain percentage of workers are allowed to work in a premise. The Group recorded a revenue of RM6.143 mil for financial period ended 31 December 2021 as compared to RM1.787 mil registered in FYE 2020. This represented an increase of RM4.356 mil or 243.8%. The Group registered a loss after tax and controlling interest of RM7.456 mil as compared to RM10.077 mil in FYE 2020. The decrease in loss is due to the impairment assessment on trade receivables, other receivables and amount due from associate incurred in FYE2020.

Total current assets of the Group decreased from RM7.313 mil in FYE 2020 to RM5.220 mil in FYE 2021 due to decrease in trade receivables and other receivables.

The Group’s other payables increased by RM1.008 mil to RM3.334 mil from RM2.325 mil in previous year. The Group currently has no short term and long-term borrowings and has funds for working capital requirement.

BUSINESS OVERVIEW, GROWTH & STRATEGY

The Group is principally involved in RFID solutions products. The products are highly in demand due to its uniqueness in design and not much competitive products in the market. The Company aim to diversify into other market segment in order to increase the Group revenue. Initiatives are being planned to increase the staffs in sales and marketing department. Though it is in a planning stage, the Group is optimistic that by increasing staff, more sales will be registered and is a boost to Company’s aspiration to become regional RFID solution providers.

FUTURE PROSPECTS

The Management will continue its efforts on operational efficiency and effective cost management in order to maintain the Group's competitive edge in the RFID industry. Besides maintaining the RFID businesses, the Group will continue to seek new business opportunities and projects in other sector in order to diversify the revenue base. The Group has acquired majority stake in an entity that is involved in the aviation. The Group is positive that with the acquisition, its revenue will be enhanced in future.

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

DIRECTORS' PROFILE

DATO' SRI SHAHARUDDIN BIN KHALID
Independent Non-Executive Chairman
Age 62, Male, Malaysian

Dato' Sri Shaharuddin Bin Khalid was appointed to the Board on 8th October 2020 and subsequently redesignated as Chairman on 19th October 2020. He holds a Master in Criminal Justice from University of New Haven, Connecticut, USA. He also holds Bachelor's degree in literature from University of Malaya.

Dato' Sri Shaharuddin has 40 years' experience in Road Transport industry and Anti-Corruption Department. His last position was Director General, Road Transport Department of Malaysia, leading the integrity, financial management, administration, and management of the said Department.

Dato' Sri Shaharuddin started his career as an Investigation Officer in Malaysian Anti-Corruption Commission ("MACC") in 1984. He was promoted as the Director of MACC in 2004 and held the position until 2006. Dato' Sri was appointed as the Acting Chief Compliance Officer at Integrity Management and Compliance Office, Felda Global Ventures Berhad from 2010 to October 2016. From November 2016 to September 2017, Dato' Sri was the Chief Executive Adviser at Pejabat Penasihat Undang-Undang, Pejabat Ketua Pesuruhjaya SPRM and Pejabat Ketua Pesuruhjaya, SPRM Head Quarter which was later on promoted as the Director General of Road Transport Department Malaysia.

Throughout the years with MACC and Road Transport Department Malaysia, Dato' Sri was responsible for the enforcement and administration of traffic laws, creation and administration of a coherent effective and safe registration and licensing system, ensuring the integrity of the Department and ensuring prompt and efficient collection of lines.



DIRECTORS' PROFILE

AZMI BIN OSMAN

Deputy Executive Chairman

Age 46, Male, Malaysian

Azmi Bin Osman was appointed to the Board on 9th November 2017, he redesignated as Executive Chairman on 22nd November 2018 and subsequently re-designated as Deputy Executive Chairman on 8th October 2020. He is currently the Chairman of Remuneration Committee.

He holds a Bachelor of Arts in Accountancy from University of Humber, Hull, United Kingdom. He holds a Bachelor of Arts in Accountancy from University of Humber, Hull, United Kingdom.

He is a member of Malaysia Institute of Accountants and Member of Association of Chartered Certified Accountants. He started his career as a Team Leader and Country Director in 2000 with KPMG Kuala Lumpur and from 2006 till 2009 he was the Audit Partner of Tentsver Orgil Audit LLC. He was the Managing Partner and Shareholder of CNM Audit LLC from 2010 till 2014. He left CNM Audit LLC and joined Asian Metal Exploration Consultancy Sdn Bhd as the Chief Financial Officer till 2016. From 2016 till 2017, he is the financial adviser of Malaysia Smelting Corporation Berhad.

He is currently the Managing Partner of ABO Consultancy Sdn Bhd, Advisor of CroweHorwath Mongolia TMZ LLC and Managing Partner of Wall Bridge Consulting LLC.

He also sits on the Board of Jiankun International Berhad.



DIRECTORS' PROFILE

DATO' ZAIDI BIN MAT ISA @ HASHIM

Executive Director

Age 53, Male, Malaysian

Dato' Zaidi Bin Mat Isa @ Hashim was appointed to the Board on 30th September 2020, he re-designated as Executive Director on 15th July 2021. He is currently a Member of Remuneration Committee.

He holds a Master's in Business Administration from University Malaysia Pahang. Dato' Zaidi was formerly the Group Managing Director of Kedah based Darulaman Consolidated (M) Berhad and its subsidiaries from 1995 to 2000. From 2002 to 2005, he was appointed as Chief Executive Officer of MyPrima Group of Companies which specialised in media advertisement, branding and marketing.

Consecutively in 2006 Dato' Zaidi was appointed as Director of Investment for the RM3.6 billion (Gross Domestic Value in Malaysia Ringgit) Eco Marine Theme Park and Resort project in the state of Melaka which specialised in niche property development and real estate management. Dato' Zaidi's corporate experience is not limited to Malaysia's domestic market as he was appointed as Senior Vice President for Corporate Planning and Strategy with London listed Radiant Growth Investment Ltd with business ventures in a USD200 million plantation development in Kampung Thom, Cambodia in 2012. The most recent corporate achievement of Dato' Zaidi was his 2016 corporate entry as Executive Director in Bursa listed INIX Technologies Holdings Berhad which overseeing governmental relations, public and private sector markets while at the same time being appointed Director of NWP Holdings Berhad with interests in property development and forest management with sawmills in the state of Sabah in East Malaysia and Laos.

Other than SMTrack, Dato' Zaidi also sits on the Board of Key Alliance Group Berhad.



DIRECTORS' PROFILE

DATUK WIRA JUSTIN LIM HWA TAT
Executive Director, President
Age 46, Male, Malaysian

Datuk Wira Justin Lim Hwa Tat, was appointed to the Board on 7th January 2022 as Executive Director, President. He holds a Bachelor Degree in International Business and Leadership from University of East London.

He is a Malaysian hands-on Chief Executive Officer with over 15 years of expertise, he is well-experienced in various fields such as Shipping, Commodities, Structured Financing, Fund Raising, Aviation and Trading Sectors. Being someone who knows where opportunities lie, Datuk Wira Justin Lim turned his businesses into going full force into finding COVID-19 solutions. This is broadly represented in his initiative to provide quality health care products through Kenteam Group of Companies and Asia Glove Hub, both one of the worlds leading manufacturers of Surgical, Examination, High Risk and Multipurpose gloves with worldwide coverage in every key market sector.

Datuk Wira Justin Lim has also acquired management over Melaka United F.C., a Malaysian professional football club based in Melaka that competes in the Malaysia Super League, aiming to support the growth and well-being of their athletes. Entrepreneurship is in the interest of Datuk Wira Justin Lim's family, he is the son of Dato' Lim Tiong Siang.

Other than SMTrack, Datuk Wira Justin also sits on the Board of Sersol Berhad and Appasia Berhad.



DIRECTORS' PROFILE

DATUK SERI TAN CHOON HWA
Non-Independent Non-Executive Director, Vice President
Age 65, Male, Malaysian

Datuk Seri Tan Choon Hwa was appointed as Non-Independent Non-Executive Director, Vice President on 7th January 2022. Datuk Seri Tan is a businessman with twenty (20) years of experience in various industries such as timber, mining, hotel resort, housing, land development and finance investment holding.

He is the Executive Chairman of TCH Resources Group and also holds directorship in Wazlian Group, the Vice President of TA PAY Group as well as IBG Group.

He also holds other chairmanships in several associations, President of Malaysia-China Chamber of Commerce (Kelantan Branch), Vice President of Malaysia-Guangzhou Investment Association, and Advisor to Hongkong Chamber of Commerce and ASEAN Chamber of Commerce (Thailand).

Currently, Datuk Seri Tan sits on the Board of Metronic Global Berhad, CN Asia Corporation Berhad, and Jiankun International Berhad. He also acts as the advisor of Gunung Capital Berhad and Vice Chairman of Gunung Resources Sdn Bhd, a wholly-owned subsidiary of Gunung Capital Berhad.



DIRECTORS' PROFILE

MAHNORIZAL BIN MAHAT

Senior Independent Non-Executive Director

Age 46, Male, Malaysian

Mahnorizal Bin Mahat was appointed to the Board on 8th November 2019. He is currently the Chairman of Audit and Risk Management Committee and Nomination Committee and a Member of Remuneration Committee.

He holds Bachelor Degree in Accounting from University Tenaga Nasional. He started his career in year 2002 as Executive in Sales and Marketing Department for RHB Bank Berhad and subsequently as Manager, Corporate Finance Department with MCCM Management Sdn. Bhd. which involved in financial restructuring with 23 financial institutions and until year 2009.

During the period from May 2009 to October 2011, Mahnorizal served in various department for a premier logistic company and DRB-Hicom Berhad dealing with strategy, business development and operational restructuring. In November 2011, he joined Kontena Nasional Global Transport Sdn Bhd as Chief Operating Officer.

He subsequently joined Malaco Mining Sdn Bhd as Financial Controller until current. He also the Subject Matter Expert for Front and Sullivan Malaysia Sdn. Bhd., a position which he is currently holding.

His area of expertise and experience includes the provision of advisory and consultancy services, various aspects of accounting, restructuring and business development. He is also a volunteer and acts as the Treasurer for Malaysia Cricket Association. He is currently a Certified Defensive Driving Trainer and Transport Safety Management for major oil and gas company.



DIRECTORS' PROFILE

DATO' SAIFUL NIZAM BIN MOHD YUSOFF
Independent Non-Executive Director
Age 52, Male, Malaysian

Dato' Saiful Nizam Bin Mohd Yusoff, D.I.M.P was appointed as an Independent Non-Executive Director on 22nd July 2021. He is currently a member of Audit and Risk Management Committee and Nomination Committee.

He holds a Bachelor Degree in Material Engineering from University Science of Malaysia. He began his career as Project Executive in oil & gas industry since 1994. After spending two years in Miri, Sarawak, he joined Projass Engineering Sdn Bhd as Project Manager from 1997 to 2000. He worked as Project Manager in Javel Engineering Sdn Bhd from 2000 until 2003 before he setting up his own business entity. He has 20 years of experience in development, constructions and maintenance.

He currently is the Managing Director of Menara Rezeki Group since year 2003 until present.

He also sits on the Board of Jiankun International Berhad.



DIRECTORS' PROFILE

TAN CHEE KEANG
Independent Non-Executive Director
Age 49, Male, Malaysian

Tan Chee Keang was appointed as an Independent Non-Executive Director on 9th September 2021. He is currently a Member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

He is a member of Member or Association of Chartered Certified Accountants. He started his career in accounting and finance, joining Mok & Poon (currently known as Crowe Malaysia PLT) in audit and corporate advisory department. From year 2000 to 2010, he run his own IT and Consultancy firm, E-Demand Consultancy Sdn Bhd in Accounting, ERP system deployment (As SAGE Malaysia distribution and implementation agent) and Business Process Outsourcing ("BPO"). He gained his clients and international network exposure in Oil & Gas, coal mining and shipping since then.

In 2010, he founded Asiarem Bunkering Sdn Bhd, holding the position as Managing Director. He partnered Singapore's 2nd largest independent player Sentek Marine & Trading Pte Ltd covering the supply region around Singapore and Malaysia water including the offshore support & supplies. From 2017 until now, the Company changed its name to Asiarem Environmental Sdn. Bhd., shifting its focus towards environmental, social and governance ("ESG"); impact investing in sustainable development projects like water and waste-water treatment, renewables, smart cities and utilities covering South-East Asia region including Malaysia, Indonesia and Myanmar.

He has been serving as Managing Director in those companies he founded for more than 25 years, having extensive international experience and networking around South East Asia, China, Hong Kong and Central Asia.








Notes to Directors' Profile:

1. Family Relationship
None of the Directors have family relationship with any Director and/or major shareholders of the Company.
2. Conflict of Interest
None of the Directors have any conflict of interest with the Company.
3. Conviction of Offences
None of the Directors have any conviction for offences other than traffic offences within the past 5 years.
4. Attendance at Board Meetings
The details of the Directors' Attendance at Board Meetings are set out on page 29 and 30 of this Annual Report.
5. Shareholdings
The details of the Directors' interest in the securities of the Company is set out on page 98 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability is key to our business model and philosophy. During FY2021, we continued to strive towards building and enhancing our sustainability framework on how we address and perform in our material environmental, social and governance (“ESG”) topics across our operations.

Our approach to sustainability is focused on the three broad areas of Environment, Social and Governance. In the preceding year, we had identified selected seven (7) SDG goals that the Group is committed to support. In the current year, we reviewed and selected nine (9) SDG goals which the Group would like to support. This is fine tuning the Group’s alignment to its sustainability approach with the adopted United Nations Sustainability Development Goals (“UNSDGs”) which is in accordance to the United Nations’ 2030 Agenda for Sustainable Development since 2015.

ADOPTED UNSDGS	OUR GOALS
	<p>Healthy lives and promote well-being for all at all ages.</p> <p>We are committed to create a safe workplace and promoting healthy living amongst our employees. For the Covid-19 pandemic, we had undertaken various Covid 19 management programmes, such as work-from-home (“WFH”), provision of test kits, communication on SOPs, stringent movement / quarantine procedures and other action.</p>
	<p>Ensure inclusive and equitable quality education and promote lifelong opportunities for all</p> <p>The Company is committed to staff development by providing on-the-job training in order to improve their skills and knowledge for career advancement.</p>
	<p>Achieve gender equality and empower all women and girls.</p> <p>We practice non-discriminatory policies against women in hiring and promotions.</p>
	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>We believe in being a responsible and caring employer. Amidst disruption the caused by the Covid 19 pandemic which continued throughout 2021, we took various measures to ensure a safe and conducive working environment as far as possible.</p>
	<p>Take urgent action to combat climate change and its impact</p> <p>We take concerted effort to minimise the impact of climate change through various measures such as reducing emission of CHG through reduction of electricity consumption.</p>

Engagement with stakeholders

The Company believes that communication and engagement with all stakeholders is the way forward for value creation and build up the Company together. We are in continually communication and engagement with the following keys groups of stakeholders:

Employees
Shareholders, investors and analysts
Suppliers
Government and Regulators

SUSTAINABILITY: ENVIRONMENT

We subscribe to the philosophy that everyone can play a part in contributing to mitigate the adverse impact of climate change.

Electricity and water consumption

At SMTrack, in order to promote a green environment, forty percent of our lighting comes from energy-saving LED lamps and we are continuously converting more to LED lamps.

SUSTAINABILITY: SOCIAL

Health and Safety

For the safety of the staff, the Company's premises are fully equipped with CCTVs and firefighting equipment.

During the Covid 19 pandemic, the Company ensures all safety and health procedures were being observed. Some of the action taken were:

Conducting meetings and discussions virtually.
Written communication and briefing to all employees on the Standard Operating Procedures. Strict compliance to SOP required.
COVID-19 vaccination awareness and vaccination programme for staff
Provision of test kits
Installation of temperature sensor and sanitizer station at key entry points

Education / Quality Training

Technical staff are sent for periodical training to upgrade their skills where relevant. This enhances their skill sets and competencies, thus enhancing their prospects for career growth. The Company uses an integrated and accurate procurement and accounting management system which eases the workflow and contributes to a conducive working environment.

The Company is committed to staff development e by providing on-the-job training to improve their skills and knowledge for career advancement

Employee Welfare, Well-being, Gender Equality and Anti- Discrimination Policies

The Company practices a non-discriminatory policy for hiring and promoting employees. In line with the Company's stance on diversity, we give equal opportunities for women to participate in management of the Company. We also offer jobs to persons with disabilities, especially to those that are autistic.

To promote bonding amongst employees from different subsidiaries, and enhance morale of the employees, the Company holds annual dinners to demonstrate our appreciation to them.

The Company also actively engages in open forum and meetings with employees to facilitate feedback and exchange of ideas, and if deemed appropriate, for implementation.

SUSTAINABILITY: GOVERNANCE

Corporate Governance

The Company conducts business responsibly and fairly, adhering to the long-standing business of providing our customers with the highest quality and at the most competitive price. The Company believes that a strong governance framework is crucial to the long-term health and wellbeing of the Company.

The Board of Directors has set up various Board Committees, namely the Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC"), which assist the main Board in overseeing various specific areas to facilitate effectiveness of corporate governance. This is supported by a robust risk management framework.

The Company believes in upholding high standards of ethical business practices as part of its working culture. The Group is committed to the requirements of corporate liability established through Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

Sustainability Governance

The Board is responsible for the sustainability agenda and oversees the initiatives and action taken by the Group, to ensure that these are aligned with the strategic direction of the Group. The Board believes that the continuous growth and improvement towards sustainability initiatives and performance needs the support and commitment from staff involved with sustainability. In this respect, the sustainability governance structure encompasses and embeds responsibility across various multiple level levels of authority.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Malaysian Code of Corporate Governance defines corporate governance as “the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders.”

The Board of Directors remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance (“MCCG”) during the financial period ended 31 December 2021. This statement is prepared in compliance with Bursa Malaysia Securities Berhad ACE Market Listing Requirements (“AMLR”) and it is to be read together with the CG Report 2021 of the Company which is available on SMTrack’s website at www.smtrackberhad.my

CLEAR ROLES AND RESPONSIBILITIES

Board of Directors

The Board’s pivotal role is to lead and establish the Group’s vision, provision of strategic direction, formulation of policies and enhancement of resources for the Group. The Board takes into consideration the interests of all stakeholders in the decision-making process so as to ensure the Group’s objectives of creating long term shareholder value are met.

An effective Board is the one that made up of a combination of Executive Directors with intimate knowledge of the business and non-executive directors from diversified industry/business background to bring broad business and commercial experience to the Group. The Group is led by a strong and experienced Board under the Chairman.

The Board placed great importance on the balance of its Independent Directors where they serve as an essential source of impartial and professional guidance to protect the interest of the shareholders. The Independent Non-Executive Directors are professionals of high caliber and credibility who play a pivotal role in corporate accountability by contributing their knowledge, advice and experience towards making independent judgment on issues of strategies, performance, resources and standards of conducts.

None of the Directors of the Company hold more than five (5) directorships of listed companies as provided under Rule 15.06 of the AMLR.

Board Role and Responsibilities

The Board consists of eight (8) members comprising one (1) Executive Deputy Chairman, two (2) Executive Director, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. This is in compliance with the AMLR which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. The Chairman of the Board is not a member of any Board Committees which applied to the new Practice of MCCG 2021.

The Board is primarily responsible for charting and reviewing the strategic direction of the Group. The Board delegates and monitors the implementation of these directions to the management.

The responsibilities of the Board are inclusive of but not limited to:

- Reviews and adopts a strategic and business plan for the Group;
- Oversees the conduct of the Group's business and evaluates whether the business is being properly managed;
- Identifies principal risks and ensure the implementation of appropriate systems to manage these risks in order to achieve a proper balance between risk incurred and potential returns to shareholders;
- Reviews the adequacy and the integrity of the Group's internal control systems for compliance with the applicable laws, regulations, rules, directive and guidelines. The Board ensures that there is a satisfactory reporting framework on internal financial controls and regulatory compliance;
- Examines its own size and composition to determine the impact on the Board's effectiveness. The Board ensures it has enough Directors to discharge its responsibilities and perform its functions;
- Receives and seeks relevant information for the assessment of the performance of the Group;
- Establishes the Group's authority limits which outline the materiality of any transaction entered into by the Group and determine its approving authorities; and
- Ensures that the Group's financial statements are true and fair, and comply with all applicable laws and governmental regulations applicable to the Group's business and its conduct.

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to Management's responsibilities, which the Executive Director is aware and is responsible for meeting. The Board had an understanding of matters reserved to itself for decision, which includes investment policy, approval for major capital expenditures, strategic planning, overseeing financial and operational performance, monitoring risk management processes, merger and acquisition activities and reviewing the adequacy of internal control systems.

The presence of Independent Non-Executive Directors provides a good complementing role to ensure a balance of power and authority. The role of Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined as they provide unbiased and independent views, advice and judgment to take account of interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to approval by the Board. None of the members of the Board has unfettered powers of decision.

The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting the Group's current needs and requirements.

All the Directors have given their undertaking to comply with the Listing Requirements and the Independent Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which would interfere with the exercise of their independent judgment.

Role and Responsibilities of the Company Secretary

The Company Secretary is a qualified Chartered Secretary (ICSA) and Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretary plays an advisory role to the Board in relation to the Company's Constitution, the Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is suitably qualified, competent and capable of carrying out the duties required and has attended training and seminars conducted by relevant regulatory to keep abreast with the relevant updates on statutory and regulatory requirements and updates on the AMLR of Bursa Securities.

The Company Secretary advises the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations, which include Malaysian Code on Corporate Governance and AMLR.

The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Rule 14 of the AMLR of Bursa Securities. Deliberations during the Board and Board Committees' meetings were properly minute and documented by the Company Secretary.

Board Committees

The Board has established three (3) principal Board Committees, to which it has delegated certain responsibilities, namely the Nominating Committee, Remuneration Committee and Audit & Risk Management Committee. The membership responsibilities, roles and activities of these Committees are described in greater detail in this statement.

Nominating Committee

The Nominating Committee comprises solely Non-Executive Directors as follows:-

	Directors	Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Mahnorizal Bin Mahat (Senior Independent Non-Executive Director)	1/1	100
Members:	Dato' Saiful Nizam Bin Mohd Yusoff (Appointed on 22 July 2021) (Independent Non-Executive Director)	1/1	100
	Tan Chee Keang (Appointed on 9 September 2021) (Independent Non-Executive Director)	1/1	100
	Datuk Chua Wei Kee (Resigned on 1 September 2021) (Independent Non-Executive Director)	N/A	N/A
	Ng Swee Tuo (Resigned on 22 July 2021) (Independent Non-Executive Director)	N/A	N/A
	Dato' Zaidi Bin Mat Isa @ Hashim (Resigned on 15 July 2021) (Executive Director)	N/A	N/A

The Nominating Committee is empowered to bring to the Board, recommendations as to the appointment of any new Executive or Non-Executive Director, provided that the Chairman of the Nominating Committee, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board. In making its recommendation, the Nominating Committee will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

The Nominating Committee meets at least once a year and is directly accountable to the Board.

During the financial period ended 31 December 2021, the Nominating Committee undertook the following:

- i) Reviewed the composition of the Board and Board Committees and mix of diversity (including gender, ethnicity and age);
- ii) Assessed the performance of individual Directors and the Board as a whole as part of the Annual Assessment, which covered performance of the Board, Board Committee and individual Directors
- iii) Assessed the fitness and propriety of the Directors;
- iv) Assessed the independence of the Independent Directors;
- v) Determined and assessed the performance of those Directors who would retire at the forthcoming Annual General Meeting (“AGM”) and make recommendation to the Board for their re-election; and
- vi) Reviewed the training needs of the Directors.

Remuneration Committee

The objectives of the Remuneration Committee is to provide a formal and transparent procedure for developing remuneration policy for Directors and Senior Management.

The Remuneration Committee meets at least once a year and is directly accountable to the Board.

The Remuneration Committee comprises one (1) Deputy Executive Chairman, one (1) Executive Director and two (2) Independent Non-Executive Directors as follows:

	Directors	Number of Meetings Attended	Percentage of Attendance (%)
Chairman:	Azmi Bin Osman (Deputy Executive Chairman)	1/1	100
Members:	Mahnorizal Bin Mahat (Senior Independent Non-Executive Director)	1/1	100
	Dato' Zaidi Bin Mat Isa @ Hashim (Re-designated on 15 July 2021) (Executive Director)	1/1	100
	Tan Chee Keang (Appointed on 9 September 2021) (Independent Non-Executive Director)	1/1	100
	Datuk Chua Wei Kee (Resigned on 1 September 2021) (Independent Non-Executive Director)	N/A	N/A

The Remuneration Committee is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in. The Remuneration Committee is also responsible for evaluating the Executive Directors' remuneration which is linked to the performance of the Executive Directors and performance of the Group. Individual Director do not participate in the discussion and decision making of his own remuneration to avoid conflict of interest.

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the skill function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

Pursuant to Section 230(1) of the Companies Act, 2016, fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

Audit & Risk Management Committee

The Audit & Risk Management Committee ("ARMC") comprises three (3) Independent Non-Executive Directors. During the financial period ended 31 December 2021, the ARMC held a total of seven (7) meetings.

The ARMC's Terms of Reference include the review of and deliberation on the Group's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by internal audit together with the Management's responses thereon.

The Company's Internal Auditors, External Auditors and members of Senior Management attend the meetings at the invitation of the ARMC.

Supply of Information

The Board has timely access to information pertaining to the Group. Quarterly Board meetings are prescheduled with additional meetings convened as and when urgent issues and/or important decisions are required to be addressed between the scheduled meetings. Board meetings are structured with a pre-set agenda which encompasses all aspects of matters under discussion. The Board papers are circulated to directors at least seven (7) days in advance prior to each Board meeting. Board papers consisted of Notice and Agenda of the Meetings supported by working papers and reports would be sent to the Directors. This will enable the Directors to have sufficient time to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

In addition, there are matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and control structure of the Group including key policies, procedures and authority limits.

In furtherance of their duties, the Board has unrestricted access to any information pertaining to the Group as well as to the advice and services of the Company Secretary and independent professional adviser, whenever appropriate, at the Group's expense.

Directors' Code of Ethics

The Company has established a code of conduct and ethics that provides an overview of the various policies, procedures and guidelines that have been adopted by the Company to steer acceptable employment practices, ethical values and conduct for behavior of employees, which is available on the Company's website.

Whistle-blowing Policy

The Board had adopted the Whistle-blowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law, regulations or any illegal acts observed in the Group but not limited to financial malpractice or fraud, non-compliance, criminal activity and corruption. The Whistle-blowing Policy is reviewed annually and is available on the Company's website. There were no reported incidents pertaining to whistleblowing during the financial year.

Gender Diversity

The Board is committed to maintain an appropriate balance in terms of diversity in experience, skills, competence, caliber and gender in order to have balanced, comprehensive and thorough decision makings. The Board consists of members with a broad range of skills, well-rounded experience and knowledge in different fields relevant to oversee the business. The Board ensures that each member has a proper understanding of the Group's business and competence to deal with current and emerging issues of the Group.

The Board currently does not have a formal policy on its boardroom or gender diversity. The evaluation and selection criteria of a director are very much dependent on the effective blend of knowledge, skills, competencies, experiences and time commitment of the new Board member. Nonetheless, the Board is supportive of gender diversity in the Boardroom composition as recommended by the MCCG and will endeavour to consider suitable and qualified female candidates for appointment to the Board.

Appointments to the Board and Re-election

In accordance with Clause 97 of the Company's Constitution, all Directors of the Company shall retire from office at the first Annual General meeting ("AGM") and at the AGM in every subsequent year, one-third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office.

In accordance with Clause 104 of the Company's Constitution, all newly appointed Directors of the Company during the financial year shall retire at the forthcoming AGM.

Based on the results of the assessment undertaken for the financial period ended 31 December 2021, the Nomination Committee resolved to recommend to the Board that:

- Encik Mahnorizal Bin Mahat who is due to retire pursuant to Clause 97 of the Company's Constitution stands for re-election at the forthcoming AGM.
- Dato' Saiful Nizam Bin Mohd Yusoff, Mr. Tan Chee Keang, Datuk Seri Tan Choon Hwa and Datuk Wira Justin Lim Hwa Tat who are due to retire pursuant to Clause 104 of the Company's Constitution stand for re-election at the forthcoming AGM.

STRENGTHEN COMPOSITION

The Group take serious effort to ensure the Board comprises members with suitable academic and professional qualifications, skills, expertise and wide exposure.

The Nomination Committee assesses the strength, effectiveness and the level of diversity of the Board in determining the need for proposing new appointment of Director. As and when necessary, recommendation will be made to the Board for consideration.

In evaluating the suitability of the candidates, the Nomination Committee consider the following factors:

- Qualification, skills, knowledge, expertise and experience;
- Competencies and capabilities;
- Character, personal integrity and reputation;
- Willingness to devote time to effectively discharge his/her duties as Director;
- In the case of candidates for the position of Independent Non-Executive Director, the independence of the candidates and the candidate's ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

Appropriate measures shall also be taken in its selection and recruitment exercise to achieve boardroom diversity, in particular to identify woman candidates with sufficient caliber to be part of the Board.

The Nomination Committee also applies the Directors evaluation criteria and assessment forms as recommended in the Corporate Governance Guide for evaluating and selecting candidates for new directorships.

Directors' Remuneration

• Remuneration procedure

The Remuneration Committee reviews the remuneration policy each year with a view to ensure that the policy is fair and able to attract and maintain talent. The Non-Executive Directors' fees are tabled at the Company's AGM.

The Company has adopted the objective as recommended by the Code to determine the remuneration for Directors so as to ensure that the Company attracts and retains suitable Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance. In the case of Executive Directors, the level of remuneration reflects the experience and level of corporate and fiduciary responsibilities borne by the Directors concerned.

The determination of the remuneration of the Executive Directors is a matter for consideration and decision of the Board.

The remuneration of the Directors for the financial period ended 31 December 2021 is as follows:

	Salaries RM	Allowances RM	Fee RM	Others RM	Total RM
<u>Executive Directors</u> Azmi Bin Osman	194,000	-	-	-	194,000
Dato' Zaidi Bin Mat Isa @ Hashim (Re- designated on 15 July 2021)	78,000	-	-	-	78,000
Datuk Wira Justin Lim Hwa Tat (Appointed on 7 January 2022)	-	-	-	-	-
<u>Non- Executive Directors</u> Mahnorizal Bin Mahat	-	-	51,000	-	51,000
Dato' Sri Shaharuddin Bin Khalid	-	-	48,000	-	48,000
Dato' Saiful Nizam Bin Mohd Yusoff (Appointed on 22 July 2021)	-	-	15,970	-	15,970
Tan Chee Keang (Appointed on 9 September 2021)	-	-	11,100	-	11,100
Datuk Seri Tan Choon Hwa (Appointed on 7 January 2022)	-	-	-	-	-
Datuk Chua Wei Kee (Resigned on 1 September 2021)	-	-	-	-	-
Ng Swee Tuo (Resigned on 22 July 2021)	-	-	35,134	-	35,134

REINFORCE INDEPENDENCE

The Board perform an assessment of its Independent Directors, with a view to ensure the Independent Directors bring independent and objective judgement to the Board and this mitigates arising from conflict of interest or undue influence from interested parties. Where there is a likely conflict of interest position, the Board would take appropriate action to rectify the situation.

In accordance to the Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years from the date of first appointment as Director. In the event the Board wishes to retain the independence status of an Independent Director who has served for more than nine (9) years, Board justification and shareholders' approval are required. Two tier voting process will be applied in the AGM for retaining any Independent Director serving beyond nine (9) years.

As at the date of this statement, the term of service of the Independent Directors is less than nine (9) years.

There is clear separation of powers between the Chairman, and the Executive Director, and this further enhances the independence of the Board. Should any Director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in the discussions on the matter.

FOSTER COMMITMENT

Time Commitment

Seven (7) Board meetings were held during the financial period ended 31 December 2021.

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

Directors	Number of Board Meetings Attended	Percentage of Attendance (%)
Dato' Sri Shahrudin Bin Khalid (Independent Non-Executive Chairman)	6/6	100
Encik Azmi Bin Osman (Executive Deputy Chairman)	7/7	100
Dato' Zaidi Bin Mat Isa @ Hashim (Re-designated on 15 July 2021) (Executive Director)	6/6	100
Mahnorizal Bin Mahat (Senior Independent Non-Executive Director)	6/6	100
Dato' Saiful Nizam Bin Mohd Yusoff (Appointed on 22 July 2021) (Independent Non-Executive Director)	2/2	100
Tan Chee Keang (Appointed on 9 September 2021) (Independent Non-Executive Director)	2/2	100

Directors	Number of Board Meetings Attended	Percentage of Attendance (%)
Datuk Chua Wei Kee (Resigned on 1 September 2021) (Independent Non-Executive Director)	4/4	100
Ms. Ng Swee Tuo (Resigned on 22 July 2021) (Independent Non-Executive Director)	5/5	100
Datuk Seri Tan Choon Hwa (Appointed on 7 January 2022) (Non-Independent Non-Executive Director)	N/A	N/A
Datuk Wira Justin Lim Hwa Tat (Appointed on 7 January 2022) (Executive Director)	N/A	N/A

Directors' Continuous Professional Development

As an integral element of the process of appointing new Directors, the Nominating Committee ensures that there is an orientation and education programme for new Board members. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks.

All Directors had attended the Mandatory Accreditation Programme as required by Bursa Securities for Directors of listed companies.

The External Auditors briefed the Board members on any changes to the Malaysian Financial Reporting Standard that affect the Group's financial statements during the year. In addition, the Board is briefed by the Company Secretary on changes in laws and regulation and MCCG 2021. The Directors will continue to undergo other relevant training programmes to keep themselves abreast with the relevant changes in laws, regulations and business development.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board has always endeavour to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the Malaysian Financial Reporting Standards and Listing Requirements. Thus, a balanced and meaningful assessment of the Group's financial performance and prospects are presented primarily through the financial statements in the Annual Report.

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

The Group's quarterly and annual results announcements were within the stipulated time frame, reinforcing the Board's commitment to provide a true and fair view of the Group's operations.

The Board stance on presenting true, fair and comprehensive financial reporting with a balanced and meaningful assessment of the Group's financial performance is reinforced by both the Internal and External Audit functions.

- **Internal Audit**

The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to a professional service firm, as part of its efforts in ensuring that the Group's System of internal control are adequate and effective. Details of the internal audit function and a summary of its activities, together with the state of the Group's internal control, are given in the Statement on Risk Management & Internal Control as set out on pages 38 to 40 of the Annual Report.

- **External Audit**

The Group's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of the reliability to users of these financial statements. Where deemed appropriate, the Board may discuss audit findings in the absence of the Management.

The External Auditors will report on any weaknesses in the internal control systems and any non-compliance of the accounting standards that come to their attention during the course of their audit work to the Management and the ARMC.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board has set up appropriate corporate disclosure policies and exercises close monitoring of all price sensitive information required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner. In accordance with best practices, the Board would strive to disclose price sensitive information to the public as soon as practicable through Bursa Securities, the media and the Company's website. Price sensitive information refers to any information that, on becoming generally available, would tend to have a material effect on the market price of the Company's listed shares.

Members of the Board and Senior Management with privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. This is in addition to the provisions relating to the "closed period" for dealing in the Company's shares.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company refers to AMLR as a fundamental basis for the ongoing disclosure and announcement to Bursa Securities. The Board is advised by Management, Company Secretary, the External Auditors and Advisors on the contents and timing of disclosure of the financial results and various announcements in accordance with the Listing Requirements.

The Board is committed in providing accurate, useful and timely information about the Company, its business and its activities. Realising the importance of timely and thorough dissemination of material information to the shareholders, investors and the public at large, the Company maintains an open communication policy with its shareholders, investors and public at large and welcome feedback from them.

The Group's information is disseminated through various disclosures and announcements made to Bursa Securities.

Integrated Reporting

The nature and pace of change in businesses today have evolved over time and stakeholders are now placing greater emphasis on the future performance and non-financial information of a company. In tandem with the growing demand, the Company would consider adopting integrated reporting in the near future.

Conduct of General Meetings

Notice of general meeting

The Board recognises the rights of shareholders. In order to continue encouraging shareholders participation in the general meetings, the Board would ensure that the Notice of AGM is sent to shareholders at least twenty-eight (28) days ahead of the date of general meeting and to provide sufficient time and opportunities for shareholders to seek clarifications during general meetings on any matters pertaining to the issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the operational and financial performance of the Company.

Attendance of Directors at general meetings

The AGM represents the principle forum for dialogue and interaction with shareholders. During the AGM, shareholders are encouraged to ask questions about the resolutions being proposed, the Company's operations in general or the annual reports of the Company and of the Group. All the Directors, Senior Management and External Auditors are available in the AGM to provide responses to questions from the shareholders.

The Chairman plays a vital role in fostering constructive dialogue between the Board and the shareholders. All the members of the Board and the respective Chairmen of the Board's Committees are present at the meetings to address queries raised by the shareholders which are relevant to their areas of responsibility.

Voting

In the event that shareholders are unable to participate the AGM, they are encouraged to appoint one (1) or up to two (2) proxies to participate and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

The Fifteenth AGM of the Company held on 28 December 2020 was conducted fully virtual and online poll voting whereby shareholders and proxies can access and participate remotely.

Prior to the AGM, the shareholders are allowed to submit any questions online by scanning the QR Code or clicking on the link provided in the Administrative Guide. During the AGM, the shareholders are encouraged to submit typed questions in real time within the Questions & Answers Box at the bottom of the messaging screen. Any questions can be submitted at any time until the announcement of the closure of Questions & Answers session. All the Directors are available to provide responses to questions raised by the shareholders during the AGM.

In addition, the Audited Financial Statements, Annual Report, Interim Financial Statements together with the Company's announcements and other information about the Group are available on the Company's website www.smtrackberhad.my.

Investors and the public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail or contact our Investor Relation at info@smtrackberhad.my or phone at 03 8602 2145.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Audit & Risk Management Committee (“ARMC”) was established with the objective of assisting the Board of Directors (“Board”) in the areas of corporate governance, risk management and financial reporting.

COMPOSITION

The ARMC is chaired by a Senior Independent Director. The current composition meets the requirement of Rule 15.09 and 15.10 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The ARMC comprises the following three (3) members of the Board, all the members of the Committee are Independent Non-Executive Directors:-

Chairman:	Mahnorizal Bin Mahat <i>(Senior Independent Non-Executive Director)</i>
Members:	Dato’ Saiful Nizam Bin Mohd Yusoff (Appointed on 22 July 2021) <i>(Independent Non-Executive Director)</i>
	Tan Chee Keang (Appointed on 9 September 2021) <i>(Independent Non-Executive Director)</i>
	Datuk Chua Wei Kee (Resigned on 1 September 2021) <i>(Independent Non-Executive Director)</i>
	Ng Swee Tuo (Resigned on 22 July 2021) <i>(Independent Non-Executive Director)</i>
	Dato’ Zaidi Bin Mat Isa @ Hashim (Resigned on 15 July 2021) <i>(Executive Director)</i>

SECRETARY

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

MEETINGS

During the financial period ended 31 December 2021, the ARMC held a total of seven (7) meetings. The details of attendance of the ARMC members are as follows:

	Directors	Number of Meetings attended	Percentage of Attendance (%)
Chairman:	Mahnorizal Bin Mahat (Senior Independent Non-Executive Director)	7/7	100
Members:	Dato' Saiful Nizam Bin Mohd Yusoff (Appointed on 22 July 2021) (Independent Non-Executive Director)	2/2	100
	Tan Chee Keang (Appointed on 9 September 2021) (Independent Non-Executive Director)	2/2	100
	Datuk Chua Wei Kee (Resigned on 1 September 2021) (Independent Non-Executive Director)	4/4	100
	Ng Swee Tuo (Resigned on 22 July 2021) (Independent Non-Executive Director)	5/5	100
	Dato' Zaidi Bin Mat Isa @ Hashim (Resigned on 15 July 2021) (Executive Director)	4/4	100

All meetings to review the quarterly results and annual financial statements are held prior to such quarterly results and annual financial statements being presented to the Board for approval.

After each ARMC meeting, the ARMC reported to, and updated the Board on significant issues and concerns discussed during the ARMC meetings and where appropriate, made the necessary recommendations to the Board.

Representatives from the External Auditors and Internal Auditors, as the case may be, and the Account Manager were in attendance to present the relevant reports and proposals to the ARMC at the meetings which included inter alia, the Auditors' audit plans and audit reports, the quarterly results of the Company and the audited financial statements for the financial period ended 31 December 2021.

In the ARMC meetings, the External Auditors were given opportunities to raise any matters and unrestricted access to contact ARMC at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the ARMC meetings were tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

SUMMARY ACTIVITIES

The ARMC activities during the financial period under review comprised the following:-

Quarterly Financial Statements and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and
- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:-
 - Any change in accounting policies
 - Significant adjustments arising from audit
 - Compliance with accounting standards and other legal requirements

External Auditors

- reviewed of external audit plan, outlining the audit scope, audit process and areas of emphasis based on the External Auditors' presentation of audit plan;
- reviewed of external audit review memorandum and the response from the Management;
- reviewed with the External Auditors, their audit findings;
- consideration and recommendation to the Board for approval of the audit fees payable to the External Auditors;
- reviewed the External Auditor's Management Letter and Management's response;
- reviewed of the performance and effectiveness of the External Auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of External Auditors; and
- reviewed and evaluation of factors relating to the independence of the External Auditors.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group. The Internal Audit function shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

The Internal Audit Report directly to the ARMC, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

The ARMC had reviewed:-

- internal audit's resource requirements, scope, adequacy and function;
- suggestion on improvement opportunities in the areas of internal controls, systems and efficiency improvements; and
- appointment of Internal Auditors who will report functionally directly to the ARMC and review their performance on an annual basis.

Internal Control and Risk Management

- reviewed the internal audit plan for adequacy of scope and coverage and risk areas;
- reviewed risk management report and internal audit reports;
- reviewed the effectiveness and adequacy of risk management operational and compliance processes; and
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised.

Internal Audit Function

The Company has outsourced the internal audit function to Vaersa Advisory Sdn. Bhd. The outsourced internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care. Reporting directly to the ARMC, it provides the Board with a reasonable assurance of the effectiveness of the system of internal control in the Group and that the internal control system is operating satisfactorily.

The Internal Auditors adopts risk-based approach auditing approach towards the planning and conduct of audits. During the financial period, the Internal Auditors carried out its activities and performed assignments based on the annual Audit Plan approved by the ARMC.

The findings of the Internal Auditors are communicated to the Management for the necessary corrective actions. These are being followed-up by the Internal Auditors and reported accordingly to the ARMC.

The total cost incurred by the Internal Audit function of the Group for the financial period ended 31 December 2021 amounted to RM4,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysia Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investment, the Group's assets and the interest of other stakeholders.

The Board of Directors of SMTrack Berhad is pleased to present its Statement on Risk Management and Internal Control which outlines the Group's internal control framework and risk management systems for the financial year period 31 December 2021 as required by Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement has been prepared pursuant to Rule 15.26(b) of ACE Market Listing Requirements, and in accordance with the Statement on Risk Management & Internal Control - Guideline for Directors of Listed Issuers (the Guidelines").

BOARD RESPONSIBILITY

The Board recognises the importance of a sound system of internal control risk management practices for a good corporate governance. The Board acknowledges that the overall responsibility of maintaining a reliable system of risk management and internal control lies with them and is achieved through the process of reviewing controls which includes the establishment of an appropriate control environment and framework, and the review of the effectiveness, adequacy and integrity. The system of risk management and internal control is meant to effectively manage business risk towards the achievement of objectives, to enhance the value of shareholders' investments and to safeguard the Group's assets.

Due to the inherent limitations of the system of internal control, such system is designed to manage rather than to eliminate the risks of failure to achieve the Group's corporate objectives. Therefore, in pursuing these objectives, the system can only provide a reasonable and not absolute assurance against the occurrence of any material misstatement or losses and fraud.

RISK MANAGEMENT FRAMEWORK

The Board recognises the importance of the risk management framework to manage the risk within the Group and regards as an integral part of business operations. and to identify, evaluate and manage significant risks of the Group which will be an on-going process of identifying, assessing and managing risks faced.

The functional management is given a clear line of accountability and delegated authorities were established as part of the internal control efforts through the standard operating practices. The internal audit function supports the review and assists the Audit and Risk Management Committee ("ARMC") in conducting their review more effectively and not to engage in speculative transactions.

INTERNAL CONTROL SYSTEM

The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. The Board meets regularly and has a schedule of matters that are brought to it for decision making process in order to ensure effective control over strategic, financial, operation and compliance issues can be maintained.

The following outlines the main elements of the Group's internal control system:

- i. Having an organisational structure that ensures segregation of duties among employees so that there is an appropriate level of checks and balances on the activities of individual employee.
- ii. Supplying comprehensive financial and management reports to the ARMC and the Board on a quarterly basis for review, monitoring, decision making and facilitate effective discussion at Board meeting.
- iii. Stringent recruitment policy is set to ensure that only capable and competent staffs are employed which in turn ensures each operating unit is functioning effectively.
- iv. On the operational and financial affairs of the Group. The Executive Chairman are involved and oversee in the day-to-day operations of the Group.
- v. Internal policies and procedures are updated regularly to reflect changing risk or to resolve operational deficiencies.

The Group's internal control systems are continuously being reviewed and enhanced to ensure that changes in the Group's business and operating environment are adequately managed.

The Board has also received assurance from the Executive Chairman that the risk management and internal control system of the Company and its subsidiaries are operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted.

INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit function to an independent professional firm Vaersa Advisory Sdn. Bhd. to carry out reviews and assess the adequacy and integrity of the system of internal control of the Group. The Internal Auditors report directly to the ARMC, who receives reports of issues and recommendations arising from each review. The Internal Auditors have also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily. The cost incurred for internal audit for the financial period 2021 was RM4,000.00

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This Statement has been reviewed by the External Auditors as required under Rule 15.23 of ACE Market Listing Requirements for inclusion in the annual report. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

AAPG 3 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Board and management thereon. The report from the External Auditors was made solely to the Board of Directors in connection with their compliance with the ACE Market Listing Requirements of Bursa Securities and for no other purpose or parties. The External Auditors do not assume responsibility to any person other than the Board in respect of any aspect of this statement.

CONCLUSION BY THE BOARD

The Board has reviewed the adequacy and effectiveness of the risk management and internal control systems based on the information provided by the key management in the Company and assurances provided by External Auditors.

No material losses were incurred during the financial year under review as a result of weaknesses in risk management and internal control systems. The Board and management will continue to take adequate measures to strengthen the control environment in which the Group operates.

The Board is satisfied that the risk management and internal control systems in place for a financial period ended 31 December 2021 are adequate and effective to safeguard shareholders' investments, the Group's assets and interest of other stakeholders.

This statement was made in accordance with a Board of Directors' Resolution dated 15 April 2022.

DIRECTORS' RESPONSIBILITY STATEMENTS

The Board of Directors' confirms its responsibility for preparation of the Annual Audited Financial Statements to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the operations results and cash flows for the financial period then ended. In preparing the financial statements, the Directors have ensured that the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 have been applied. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes that its business operations have direct and indirect impact on the communities. The Group upholds its responsibility to oblige the statutory compliance of Corporate Social Responsibility (CSR) and extend it further by implementing various measures to play its part for the society.

The Group believes that a highly conducive working environment will help enhance the efficiency and productivity of employees as well as the quality of life. In this respect, the Group also embarks on structured training and development programmes for its employees to enhance their skills and abilities as springboard for their career development.

The Group also appreciates and understands that its business operations would have an impact and implications on the environment. Accordingly, the Group has taken steps to preserve and minimise the impact on the environment through:

(i) Paperless environment

Staffs are encouraged to fully maximize the benefits of Information Technology for communication and record keeping. Hard copies of documents are generated on a need basis only.

(ii) Recycling

To minimise the environmental impact, the Group adopts a "Go Green" policy, to complement the above initiative. Where possible, paper stationery and materials are to be recycled and reused. Unwanted paper materials are collected for recycling purposes.

ADDITIONAL COMPLIANCE INFORMATION

1.0 Utilisation of Proceeds

As at the date of this Notice, a total of 91,531,500 Placement Shares has been issued and allotted on 23 December 2021. The status of the utilisation of proceed raised from the Proposed Private Placement is as follows:-

<u>Purpose</u>	<u>Proposed Utilisation RM'000</u>	<u>Actual Utilisation RM'000</u>	<u>Intended Timeframe for Utilisation (from listing date</u>
Expenses in respect of the Cainiao Services	1,200	1,200	Within 7 months
Expansion of the Group's air cargo business	5,309	5,166	Within 18 months
Estimated expenses relating to the Proposed Private Placement	328	471	Within 1 month
Total	6,837	6,837	

2.0 Employees Share Issuance Scheme

There were no shares allotted from Employees Share Issuance Scheme during the financial period ended 31 December 2021.

3.0 Non-Audit Fees

There were no non-audit fees paid to the Group's external auditors during the financial period ended 31 December 2021.

4.0 Material Contracts

There were no material contracts entered into by the Group involving its Directors' and major shareholders' interest during the financial period ended 31 December 2021.

5.0 Revaluation Policy on Landed Properties

The Company does not have a revaluation policy in respect of landed properties.

6.0 Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPT")

There were no RRPT conducted during the financial period ended 31 December 2021.

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Group and the Company for the financial period 1 August 2020 to 31 December 2021.

Change of financial year end

The Company changed its financial year end from 31 July to 31 December. Accordingly, the financial statements for the current financial period are drawn up for the period 1 August 2020 to 31 December 2021 or a period of seventeen months.

Principal activities

The Company is principally engaged in the design, deployment and distribution of radio frequency identity tags and other tagging solutions using information technology broadband networks and the provision of training, maintenance and related consultancy services. The details of the subsidiaries, including their principal activities, are disclosed in Note 11 to the financial statements.

Financial results

	Group RM	Company RM
Net loss for the financial period	(7,794,814)	(6,870,922)
Attributable to:		
Owners of the Company	(7,456,219)	(6,870,922)
Non-controlling interests	(338,595)	-
	<u>(7,794,814)</u>	<u>(6,870,922)</u>

In the opinion of the directors, the results of the operations of the Group and the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial period.

Reserves and provisions

There were no material transfers to and from reserves and provisions during the financial period other than those disclosed in the financial statements.

DIRECTORS' REPORT (Cont'd)

Issue of shares and debentures

During the reporting period, the Company issued the following shares by way of:

- (i) private placement of 53,007,100 new ordinary shares at an issue price of RM0.1577 per share for cash. The shares were issued for working capital purposes;
- (ii) conversion of RM25,000,000 redeemable convertible notes to 217,959,893 new ordinary shares at an issue price of RM0.1147 per share;
- (iii) conversion of RM2,500,000 redeemable convertible notes to 25,000,000 new ordinary shares at an issue price of RM0.10 per share; and
- (iv) private placement of 91,531,500 new ordinary shares at an issue price of RM0.0747 per share for cash. The shares were issued for the expenses in respect of the expansion of its air cargo business.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The movement of the Company's share capital account are disclosed in Note 16 to the financial statements.

The Company has not issued any debentures during the financial period.

Share Issuance Scheme options

The Company implemented an Employees' Share Issuance Scheme ("SIS") which is governed by the SIS By-Laws approved by its shareholders at the Extraordinary General Meeting held on 17 May 2017. The effective date for the implementation of the SIS is 26 October 2017.

The salient features of the SIS are as follows:

- (a) The SIS is administered by the Option Committee of the Company;
- (b) Employees (including directors) of the Company or its subsidiaries shall be eligible to participate in the SIS, if as at the date of offer, the employee:
 - (i) has attained the age of eighteen (18) years;
 - (ii) is employed by a company in the Group, which is not dormant;

The allocation criteria of new ordinary shares comprised in the options to eligible employees shall be determined at the discretion of the Option Committee. The participation of an Executive Director of the Company in the SIS shall be approved by the shareholders of the Company in the general meeting;

- (c) The total number of new shares to be offered pursuant to the SIS shall not be more than 30% of the Company's issued and paid up share capital of the Company;
- (d) The SIS shall be in force for a period of 5 years with an extension period of another five (5) years from the first grant date;
- (e) The option price shall be fixed at the higher of the 5 day weighted average market price of the shares of the Company preceeding the date of offer with a discount of not more than 10%;
- (f) The number of shares so offered shall not be less than one hundred (100) Shares nor more than the maximum number of allocations granted by the Option Committee in multiples of one hundred (100) Shares; and

DIRECTORS' REPORT (Cont'd)

Share Issuance Scheme options (continued)

- (g) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotment and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the options under the SIS.

The movements in the Company's SIS options are as follows:

Offer Date	Number of options over ordinary shares	
	27 May 2021	23 July 2018
At 1 August 2020	-	3,026,607
Granted	85,194,184	-
Exercised	-	-
At 31 December 2021	<u>85,194,184</u>	<u>3,026,607</u>
Exercise price (RM)	<u>0.085</u>	<u>0.11</u>

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

Name	Number of Option
Azmi Bin Osman	35,194,184
Chang Hui Kee	30,000,000
Sazini Binti Abdullah	20,000,000
	<u>85,194,184</u>

Directors

The directors of the Company in office since the end of the previous financial year to the date of this report are:

Azmi Bin Osman	
Mahnorizal Bin Mahat	
Dato' Zaidi Bin Mat Isa @ Hashim	Appointed on 30 September 2020
Dato' Sri Shahrudin Bin Khalid	Appointed on 8 October 2020
Dato' Saiful Nizam Bin Mohd Yusoff	Appointed on 22 July 2021
Tan Chee Keang	Appointed on 9 September 2021
Datuk Seri Tan Choon Hwa	Re-appointed on 7 January 2022; Resigned on 3 August 2020
Datuk Wira Justin Lim Hwa Tat	Appointed on 7 January 2022
Datuk Chua Wei Kee	Appointed on 8 October 2020; Resigned on 1 September 2021
Ng Swee Tuo	Resigned on 22 July 2021

DIRECTORS' REPORT (Cont'd)

Directors' interests

The shareholdings in the Company and its related companies of those who were directors at the end of the financial period, as recorded in the Register of Directors' Shareholdings kept under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares			Balance as at 31.12.2021
	Balance as at 1.8.2020/ Date of appointment	Bought	Sold	
Shareholdings registered in the name of directors:				
Mahnorizal Bin Mahat	-	-	-	-
Dato' Zaidi Bin Mat Isa @ Hashim	-	-	-	-
Azmi Bin Osman	-	-	-	-
Dato' Sri Shaharuddin Bin Khalid	-	-	-	-
Dato' Saiful Nizam Bin Mohd Yusoff	-	-	-	-
Tan Chee Keang	2,286,700	-	(2,286,700)	-

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The details of the directors' remuneration are disclosed in Note 6 to the financial statements.

There were no arrangements during or at the end of the financial period, which had the object of enabling directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance

There was no indemnity given to or insurance effected for any directors, officers and auditors of the Company during the financial period.

Other statutory information

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

DIRECTORS' REPORT (Cont'd)

Other statutory information (continued)

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

In the interval between the end of the financial period and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial period in which this report is made; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

No contingent or other liability of the Group and the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

Subsequent events

Details of subsequent events are disclosed in Notes 28 to the financial statements.

DIRECTORS' REPORT (Cont'd)

Auditors

The auditors, Messrs Russell Bedford LC PLT, have indicated their willingness to continue in office.

The auditors' remuneration for the Group and the Company is disclosed in Note 7 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the directors,

AZMI BIN OSMAN

DATO' ZAIDI BIN MAT ISA @ HASHIM

Kuala Lumpur

Dated: 15 April 2022

STATEMENT BY DIRECTORS

The directors of SMTRACK BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the period 1 August 2020 to 31 December 2021.

Signed on behalf of the Board
in accordance with a resolution of the directors,

AZMI BIN OSMAN

DATO' ZAIDI BIN MAT ISA @ HASHIM

Kuala Lumpur

Dated: 15 April 2022

STATUTORY DECLARATION

I, AZMI BIN OSMAN (MIA NO: 37058), being the director primarily responsible for the financial management of SMTRACK BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the above named AZMI BIN OSMAN at)
Kuala Lumpur in Wilayah Persekutuan)
on 15 April 2022)

AZMI BIN OSMAN

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of SMTRACK BERHAD (Incorporated in Malaysia)

1. Report on the audit of the financial statements

1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, and the related statements of comprehensive income, changes in equity and cash flows for the period 1 August 2020 to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the period 1 August 2020 to 31 December 2021 in accordance with the Companies Act 2016 ("Act") and the Malaysian Financial Reporting Standards.

1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.6.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the MIA By-Laws and the IESBA Code.

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

1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (Cont'd)

To the Members of SMTRACK BERHAD (Incorporated in Malaysia)

1.3.1 Recoverability of trade receivables

As disclosed in Note 14 to the financial statements, the total carrying amount of trade receivables of the Group and Company was RM2,022,331 and RM444,406 respectively as at 31 December 2021 and management has recognised an allowance of expected credit losses of RM664,828 and RM138,828 during the reporting period.

The Group and Company have significant receivable balances that are overdue, leading to the risk that the Group's and the Company's allowance of expected credit losses for receivables being insufficient if these amounts are not recoverable in the event of default. The recoverability of receivables is a key audit matter as its assessments involve significant judgements.

How the matter was addressed in the audit

Our audit procedures included, among others:

- reviewed and verified the collections received during the reporting period and subsequent to the reporting period to bank records.
- assessed the adequacy of impairment assessment performed by management on overdue receivables. For a balance where no allowance for impairment was made, we obtained evidence in the form of subsequent receipts, historical payment trends, customer's financial position and customer's correspondences.
- tested the adequacy of the allowance of expected credit losses made by management through challenging the relevant assumptions and data applied in making the estimates.

We are satisfied with the results of our procedures performed.

1.3.2 Impairment assessment of goodwill

As disclosed in Note 12 to the financial statements, the carrying amount of goodwill arising from acquisition of Asia Cargo Wings Sdn Bhd amounted to RM2,776,548 as at 31 December 2021. The goodwill has been allocated to cash-generating unit ("CGU") for impairment testing purposes. The Group estimated the recoverable amount of the CGU to which the goodwill is allocated based on value in use.

We focused on this area due to the significant judgements and assumptions made by management in determining the recoverable amount of goodwill.

Additional information on the impairment review is disclosed in Note 12.1 to the financial statements.

How the matter was addressed in the audit

Our audit procedures included, among others:

- discussed with management to understand the underlying assumptions used in the impairment review model.
- compared the assumptions used within the impairment review model to approved business plans.
- benchmarked key assumptions used by management in estimating future cash flows such as revenue growth and profit margin to historical performance and internal sources information.
- benchmarked key assumptions applied in computing the weighted average costs of capital against our own internal research data.
- reviewed management's calculation together with relevant supporting documents.
- performed sensitivity analysis of our own to stress test the key assumptions in the impairment models.

We are satisfied with the results of our procedures performed.

INDEPENDENT AUDITORS' REPORT (Cont'd)

To the Members of SMTRACK BERHAD (Incorporated in Malaysia)

1.4 Other information

Management is responsible for the other information. The other information comprises the information included in the Company's directors' report and annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

1.5 Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Act and the Malaysian Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

1.6 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, in accordance with Section 266 of the Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT (Cont'd)

To the Members of SMTRACK BERHAD (Incorporated in Malaysia)

1.6 Auditors' responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

To the Members of SMTRACK BERHAD (Incorporated in Malaysia)

2. Other matters

The financial statements of the Company for the year ended 31 July 2020 were audited by another firm of auditors whose report dated 27 November 2020 was qualified as the requirement of the Malaysian Financial Reporting Standards have not been complied with where the assessment of impairment for trade receivables, other receivables and amount due from an associate of the Company as at 31 July 2020, amounting to RM3,729,093, RM9,064,685 and RM380,000 respectively were not performed.

3. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Gavin Foo Tun Xiang.

RUSSELL BEDFORD LC PLT
LLP0030621-LCA & AF 1237
CHARTERED ACCOUNTANTS

GAVIN FOO TUN XIANG
03405/12/2022 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Date: 15 April 2022

STATEMENTS OF COMPREHENSIVE INCOME

For the period 1 August 2020 to 31 December 2021

	Group	Company			
		Restated	Restated		
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	
	Note				
Revenue	4	6,142,810	1,786,860	1,981,132	1,652,255
Cost of sales	5	(4,122,190)	-	-	-
Gross profit		<u>2,020,620</u>	<u>1,786,860</u>	<u>1,981,132</u>	<u>1,652,255</u>
Other operating income		23,773	51,635	14,273	51,635
Allowance of expected credit losses		(664,828)	(10,425,609)	(965,673)	(10,049,342)
Administrative expenses		(9,140,975)	(1,882,038)	(7,900,150)	(1,134,385)
Loss before tax	7	<u>(7,761,410)</u>	<u>(10,469,152)</u>	<u>(6,870,418)</u>	<u>(9,479,837)</u>
Income tax expense	8	(33,404)	-	(504)	-
Net loss/Total comprehensive loss for the period/year		<u><u>(7,794,814)</u></u>	<u><u>(10,469,152)</u></u>	<u><u>(6,870,922)</u></u>	<u><u>(9,479,837)</u></u>
Net loss/Total comprehensive loss for the period/year attributable to:					
Owners of the Company		(7,456,219)	(10,076,579)	(6,870,922)	(9,479,837)
Non-controlling interests		(338,595)	(392,573)	-	-
		<u><u>(7,794,814)</u></u>	<u><u>(10,469,152)</u></u>	<u><u>(6,870,922)</u></u>	<u><u>(9,479,837)</u></u>
Loss per share (sen):					
- Basic	9	<u><u>(2.02)</u></u>	<u><u>(5.85)</u></u>		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		Company	
		31.12.2021 RM	Restated 31.7.2020 RM	31.12.2021 RM	Restated 31.7.2020 RM
Non current assets					
Aircraft, plant and equipment	10	38,740,869	131,907	38,684,880	52,461
Investment in subsidiaries	11	-	-	3,400,290	3,400,100
Goodwill on consolidation	12	2,776,548	2,776,548	-	-
Investment in an associate	13	-	-	-	-
Other receivables	15	-	-	-	-
		<u>41,517,417</u>	<u>2,908,455</u>	<u>42,085,170</u>	<u>3,452,561</u>
Current assets					
Trade receivables	14	2,022,331	3,729,093	444,406	3,729,093
Other receivables, deposits and prepayments	15	1,040,303	3,554,790	2,496,027	2,718,880
Tax recoverable		531	531	531	531
Cash and bank balances		2,157,129	28,250	2,060,784	25,121
		<u>5,220,294</u>	<u>7,312,664</u>	<u>5,001,748</u>	<u>6,473,625</u>
Total assets		<u><u>46,737,711</u></u>	<u><u>10,221,119</u></u>	<u><u>47,086,918</u></u>	<u><u>9,926,186</u></u>
Equity					
Share capital	16	63,889,978	23,655,293	63,889,978	23,655,293
Reserves	17	(20,391,554)	(15,925,650)	(19,206,235)	(15,325,628)
		<u>43,498,424</u>	<u>7,729,643</u>	<u>44,683,743</u>	<u>8,329,665</u>
Non-controlling interests		(315,523)	23,062	-	-
Total equity		<u>43,182,901</u>	<u>7,752,705</u>	<u>44,683,743</u>	<u>8,329,665</u>
Current liabilities					
Trade payables	18	187,833	142,583	187,833	142,583
Other payables and accruals	19	3,334,077	2,325,831	2,215,342	1,453,938
Tax payable		32,900	-	-	-
Total liabilities		<u>3,554,810</u>	<u>2,468,414</u>	<u>2,403,175</u>	<u>1,596,521</u>
Total equity and liabilities		<u><u>46,737,711</u></u>	<u><u>10,221,119</u></u>	<u><u>47,086,918</u></u>	<u><u>9,926,186</u></u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the period 1 August 2020 to 31 December 2021

Group	Non-distributable				Distributable		Total RM	Non-controlling interests RM	Total equity RM
	Share capital RM	Employee share options reserve RM	Accumulated losses RM	Share options reserve RM	Share options reserve RM	Accumulated losses RM			
At 1 August 2020	23,655,293	-	(6,664,770)	-	(6,664,770)	16,990,523	173,569	17,164,092	
- as previously reported	-	-	(9,260,880)	-	(9,260,880)	(9,260,880)	(150,507)	(9,411,387)	
- as restated	23,655,293	-	(15,925,650)	-	(15,925,650)	7,729,643	23,062	7,752,705	
Transactions with owners									
Issuance of shares	40,234,685	-	-	-	-	40,234,685	-	40,234,685	
Grant of Share Issuance Scheme ("SIS") options	-	2,990,315	-	-	-	2,990,315	-	2,990,315	
Issuance of shares in a subsidiary	-	-	-	-	-	-	10	10	
Total transactions with owners	40,234,685	2,990,315	-	-	-	43,225,000	10	43,225,010	
Net loss/Total comprehensive loss for the period	-	-	(7,456,219)	-	(7,456,219)	(7,456,219)	(338,595)	(7,794,814)	
At 31 December 2021	63,889,978	2,990,315	(23,381,869)	-	(23,381,869)	43,498,424	(315,523)	43,182,901	

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For the period 1 August 2020 to 31 December 2021

Group	Share capital RM	Non-distributable employee share option reserve RM	Distributable		Total RM	Non-controlling interests RM	Total equity RM
			Accumulated losses RM	Reserves RM			
At 1 August 2019	17,385,288	-	(5,849,071)	-	11,536,217	-	11,536,217
Transactions with owners:							
Acquisition of subsidiary	-	-	-	-	-	15,635	15,635
Issuance of shares in a subsidiary	-	-	-	-	-	400,000	400,000
Issuance of shares	6,270,005	-	-	-	6,270,005	-	6,270,005
Total transactions with owners	6,270,005	-	-	-	6,270,005	415,635	6,685,640
Net loss/Total comprehensive loss for the year							
- as previously reported	-	-	(815,699)	-	(815,699)	(242,066)	(1,057,765)
- prior year adjustments	-	-	(9,260,880)	-	(9,260,880)	(150,507)	(9,411,387)
- as restated	-	-	(10,076,579)	-	(10,076,579)	(392,573)	(10,469,152)
At 31 July 2020	23,655,293	-	(15,925,650)	-	7,729,643	23,062	7,752,705

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For the period 1 August 2020 to 31 December 2021

Company	Share capital RM	Non- distributable Employee share option reserve RM	Distributable Accumulated losses RM	Total RM
At 1 August 2020				
- as previously reported	23,655,293	-	(6,290,508)	17,364,785
- prior year adjustments	-	-	(9,035,120)	(9,035,120)
- as restated	23,655,293	-	(15,325,628)	8,329,665
Transactions with owners				
Issuance of shares	40,234,685	-	-	40,234,685
Grant of SIS options	-	2,990,315	-	2,990,315
Total transactions with owners	40,234,685	2,990,315	-	43,225,000
Net loss/Total comprehensive loss for the period	-	-	(6,870,922)	(6,870,922)
At 31 December 2021	<u>63,889,978</u>	<u>2,990,315</u>	<u>(22,196,550)</u>	<u>44,683,743</u>
At 1 August 2019	17,385,288	-	(5,845,791)	11,539,497
Transactions with owners				
Issuance of shares	6,270,005	-	-	6,270,005
Total transactions with owners	6,270,005	-	-	6,270,005
Net loss/Total comprehensive loss for the year				
- as previously reported	-	-	(444,717)	(444,717)
- prior year adjustments	-	-	(9,035,120)	(9,035,120)
- as restated	-	-	(9,479,837)	(9,479,837)
At 31 July 2020	<u>23,655,293</u>	<u>-</u>	<u>(15,325,628)</u>	<u>8,329,665</u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the period 1 August 2020 to 31 December 2021

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Cash flows from/(used in) operating activities				
Loss before tax	(7,761,410)	(10,469,152)	(6,870,418)	(9,479,837)
Adjustments for:				
Allowance of expected credit losses	664,828	10,425,609	965,673	10,049,342
Depreciation	54,929	70,811	23,965	54,259
Gain on disposal of plant and equipment	-	(49,844)	-	(49,844)
Plant and equipment written off	58,434	-	34,376	-
Share option expense	2,990,315	-	2,990,315	-
Operating (loss)/profit before working capital changes	(3,992,904)	(22,576)	(2,856,089)	573,920
Decrease/(Increase) in trade and other receivables	3,556,421	(3,280,105)	2,779,241	(62,633)
Increase/(Decrease) in trade and other payables	1,053,496	(575,919)	(359,731)	(1,169,370)
Cash generated from/(used in) operations	617,013	(3,878,600)	(436,579)	(658,083)
Income tax paid	(504)	-	(504)	-
Net cash from/(used in) operating activities	616,509	(3,878,600)	(437,083)	(658,083)
Cash flows from/(used in) investing activities				
Repayments from/(Advances to) subsidiaries	-	-	929,011	(2,306,135)
Subscription of shares in a subsidiary	-	-	(190)	(600,000)
Net cash outflow in acquisition of subsidiary	-	(2,786,491)	-	(2,800,000)
Purchases of aircraft, plant and equipment	(38,722,325)	(95,998)	(38,690,760)	-
Proceeds from disposal of plant and equipment	-	72,305	-	72,305
Net cash used in investing activities	(38,722,325)	(2,810,184)	(37,761,939)	(5,633,830)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

For the period 1 August 2020 to 31 December 2021

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Cash flows from/(used in) financing activities				
Proceeds from issuance of shares - net	14,770,184	6,270,005	14,770,184	6,270,005
Proceeds from issuance of redeemable convertible notes - net	25,464,501	-	25,464,501	-
Subscription of shares in non-controlling interests in a subsidiary	10	400,000	-	-
Net cash from financing activities	40,234,695	6,670,005	40,234,685	6,270,005
Net increase/(decrease) in cash and cash equivalents	2,128,879	(18,779)	2,035,663	(21,908)
Cash and cash equivalents at beginning of period/year	28,250	47,029	25,121	47,029
Cash and cash equivalents at end of period/year	2,157,129	28,250	2,060,784	25,121
Cash and cash equivalents comprise cash and bank balances	2,157,129	28,250	2,060,784	25,121

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. General information

The Company is principally engaged in the design, deployment and distribution of radio frequency identity tags and other tagging solutions using information technology broadband networks and the provision of training, maintenance and related consultancy services. The details of the subsidiaries, including their principal activities, are disclosed in Note 11 to the financial statements.

The Company changed its financial year end from 31 July to 31 December. Accordingly, the financial statements for the current financial period are drawn up for the period 1 August 2020 to 31 December 2021 or a period of seventeen months.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The Company's registered office is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The principal place of business is located at Unit 6, Level 4, SetiaWalk Mall (Block K), SetiaWalk, Persiaran Wawasan, Pusat Bandar Puchong, 47160 Puchong, Selangor, Malaysia.

The financial statements of the Group and the Company were approved and authorised for issue by the board of directors on 15 April 2022.

2. Principal accounting policies

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared and presented in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of preparation of the financial statements

2.2.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and their related IC Interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in accounting policies of the Group.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial applications.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

For each business combination, non controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share of the recognised amounts of the acquiree's identifiable net assets. All other components of non controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs.

Any excess of the sum of their fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), over the net fair value of the acquiree's net identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as a financial asset depending on the level of influence retained.

Revenue from contract with customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is recognised only when it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the goods or services sold.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense in profit or loss as incurred.

(iii) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with the employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimates of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of the reporting period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertakings, with a corresponding credit to the share option reserve.

The share option reserve is transferred to share capital when the share options are exercised, or transferred to accumulated losses upon expiry of the share options.

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Income tax (continued)

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Impairment of assets

The carrying amount of assets (other than financial assets) subject to accounting for impairment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment loss is recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's fair value less cost of disposal and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Aircraft, plant and equipment and depreciation

Aircraft, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of aircraft, plant and equipment comprises its purchase price and any incidental costs directly attributable to bringing the asset to working condition for its intended use. The cost of spare engines acquired on an exchange basis are stated at amount paid and the fair value of the item traded-in. Heavy maintenance expenditure for aircraft and engine overhauls are capitalised at cost. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Aircraft, plant and equipment and depreciation (continued)

No depreciation is provided on work in progress. Depreciation on other plant and equipment is calculated to write off the cost of the assets to its residual value on a straight-line basis at the following annual rates based on their estimated useful lives:

Computer	33%
IT equipment	10%-20%
Office equipment and furniture and fittings	10%
Renovation	10%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of aircraft, plant and equipment.

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has power over its investee, exposed or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

Investment in associates

An associate is a company in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in associates is accounted for under the equity method of accounting based on the audited or management financial statements of the associates made up to the reporting date. Under this method of accounting, the investment in an associate is measured in the consolidated statement of financial position at cost plus the Group's post acquisition share of the associate's profit or loss and other comprehensive income while dividend received is reflected as a reduction of the investment.

Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associates' profit or loss in the reporting period in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of the associates to ensure consistency of accounting policies with the Group.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Goodwill

Goodwill is measured at cost less any accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Leases

Lease payments under operating leases are recognised in profit or loss on a straight line basis over the terms of the relevant lease.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Financial instruments

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

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

(i) Financial assets at amortised cost

A financial asset is classified at amortised cost if it meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets at amortised cost (continued)

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

(ii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

- a) contingent consideration of an acquirer in a business combination;
- b) financial guarantee contracts;
- c) loan commitments;
- d) designated at fair value through profit or loss; or
- e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities at amortised cost are derecognised, and through the amortisation process (finance cost).

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

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

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

Expected credit losses

The Group recognises an allowance for expected credit losses ("ECL") on financial assets at amortised cost.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECL are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Expected credit losses (continued)

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised cost is deducted from the gross carrying amount of the assets.

Low credit risk

A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Significant increase in credit risk

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Definition of default

The Group considers a debt instrument to be in default when:

- a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or
- b) The financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Expected credit losses (continued)

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

- a) Significant financial difficulties of the debtor;
- b) A breach of contract, such as a default or past due event;
- c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
- e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Current versus non-current classification

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

2.2.2 Significant accounting policies (continued)

Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

3. Critical accounting estimates and judgments

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgments are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period other than as follows:

(a) Measurement of ECL allowance

The ECL for receivables are estimated based on assumptions about risk of default and expected loss of the probability of non-payment. The assumptions used in estimating future cash flows are determined using historical data and forward-looking information. The Group uses judgement in making these assumptions.

(b) Impairment of goodwill and investment in subsidiaries

The Group and the Company assesses impairment of goodwill annually and investment in subsidiaries when events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value (after taking into account the costs to sell) or the value in use of the assets.

Significant variations to these assumptions and estimates could result in changes to the assessment of the recoverability of these non financial assets. To the extent of any future determination that these non financial assets are not recoverable, future financial results in the reporting period in which this determination is made will be affected.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

4. Revenue

4.1 Disaggregation of revenue

Set out below is the disaggregation of revenue from contracts with customers:

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.07.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.07.2020 RM
Type of goods or services				
RFID technical support and maintenance services	1,981,132	1,652,255	1,981,132	1,652,255
Air freight and aviation related services	57,753	134,605	-	-
Trading of equipment	4,103,925	-	-	-
	<u>6,142,810</u>	<u>1,786,860</u>	<u>1,981,132</u>	<u>1,652,255</u>

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.07.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.07.2020 RM
Timing of revenue recognition				
At a point in time	4,161,678	134,605	-	-
Over time	1,981,132	1,652,255	1,981,132	1,652,255
	<u>6,142,810</u>	<u>1,786,860</u>	<u>1,981,132</u>	<u>1,652,255</u>

4.2 Performance obligations

RFID technical support and maintenance services

The Group provides Radio Frequency Identification (RFID) related technical set up and maintenance services on RFID equipment sold. Revenue is recognised over the time throughout the contract period when the services are provided. The services were billed on monthly basis.

Air freight and aviation related services

The Group provides air cargo delivery services. The performance obligation is satisfied upon services rendered and payment is generally due within 30 days from delivery.

Trading of equipment

The Group sells Information Technology ("IT") and RFID related equipment. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 days from delivery.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

4.3 Transaction price allocated to the remaining performance obligations

For practical expediency, no information is provided on the remaining performance obligation at the reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

4.4 Financing components

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

5. Cost of sales

	Group	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Air freight and aviation related services	213,690	-
Trading of equipment	3,908,500	-
Total	<u>4,122,190</u>	<u>-</u>
Amount of inventories recognised as an expense	<u>3,908,500</u>	<u>-</u>

6. Staff costs

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Directors' fees				
- Company	439,204	96,000	439,204	96,000
- subsidiaries	323,288	-	-	-
Directors' remuneration other than fees	-	373,152	-	180,000
Salaries, wages, bonus and allowances	602,493	501,998	399,338	265,870
Defined contribution plan	75,468	78,861	47,426	36,012
Share option expense	2,990,315	-	2,990,315	-
Other employee related expenses	17,613	11,828	13,645	5,404
	<u>4,448,381</u>	<u>1,061,839</u>	<u>3,889,928</u>	<u>583,286</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

6. **Staff costs** (continued)

The key management personnel of the Group and Company whose remuneration is analysed as follows:

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Executive directors:				
- Fees	595,288	96,000	272,000	96,000
Non executive directors:				
- Fees	167,204	-	167,204	-
Total	<u>762,492</u>	<u>96,000</u>	<u>439,204</u>	<u>96,000</u>

The number of directors of the Company where total remuneration during the reporting period falls within the following bands is analysed as follows:

	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Executive directors:		
Below RM50,000	-	-
RM50,001 – RM100,000	1	1
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	1	-
Non executive directors:		
Below RM50,000	5	5
RM50,001 – RM100,000	1	-

7. **Loss before tax**

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Loss before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- current period/year	100,000	89,000	85,000	80,000
- overprovision in prior years	(14,787)	-	(14,787)	-
Directors' fees				
- Company	439,204	96,000	439,204	96,000
- subsidiaries	323,288	-	-	-
Directors' remuneration other than fees	-	373,152	-	180,000
Expenses relating to short term leases on premises	30,600	-	-	-
Expenses relating to leases of low value assets on equipment	14,428	218,781	4,677	170,437
Plant and equipment written off	58,434	-	34,376	-
Gain on disposal of plant and equipment	-	(49,844)	-	(49,844)
	<u></u>	<u></u>	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

8. Income tax expense

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Expected income tax payable				
- current period/year	32,900	-	-	-
- under provision in prior years	504	-	504	-
	<u>33,404</u>	<u>-</u>	<u>504</u>	<u>-</u>

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
Loss before tax	<u>(7,761,410)</u>	<u>(10,469,152)</u>	<u>(6,870,418)</u>	<u>(9,479,837)</u>
Taxation at statutory tax rate of 24% (31.7.2020: 24%)	(1,862,700)	(2,512,600)	(1,648,900)	(2,275,200)
Expenses not deductible for tax purposes	1,441,200	2,773,605	1,554,500	2,449,276
Deferred tax assets not recognised	454,400	-	94,400	-
Income not subject to tax	-	(12,392)	-	(12,392)
Utilisation of previously unrecognised deferred tax assets	-	(248,613)	-	(161,684)
Under provision in prior years	504	-	504	-
Income tax expense for the period/year	<u>33,404</u>	<u>-</u>	<u>504</u>	<u>-</u>

The unrecognised deferred tax assets are in respect of the following temporary differences are as follows:

	Group			
	Gross		Tax effects	
	31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Unabsorbed capital allowances	8,071,565	8,036,126	1,937,200	1,928,700
Unutilised business losses to be utilised up to financial year ending				
- 31 December 2028	5,844,721	5,844,721	1,402,700	1,402,700
- 31 December 2029	8,033,747	8,033,747	1,928,100	1,928,100
- 31 December 2030	525,472	525,472	126,100	126,100
- 31 December 2031	1,180,781	-	283,400	-
	<u>23,656,286</u>	<u>22,440,066</u>	<u>5,677,500</u>	<u>5,385,600</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

10. Aircraft, plant and equipment

Group Cost	Computer RM	IT equipment RM	Office equipment and furniture fittings RM	Renovation RM	Motor vehicles RM	Work in progress			Total RM
						Aircraft RM	Others RM	Others RM	
At 1 August 2019	170,930	15,850,587	224,543	53,661	112,305	-	1,434,600	-	17,846,626
Additions	17,325	-	9,915	59,338	9,420	-	-	-	95,998
Disposals	-	-	-	-	(112,305)	-	-	-	(112,305)
At 31 July 2020	188,255	15,850,587	234,458	112,999	9,420	-	1,434,600	-	17,830,319
Additions	20,321	-	2,379	6,593	25,280	38,667,752	-	-	38,722,325
Write offs	(170,930)	(15,850,587)	(224,543)	(53,661)	-	-	(1,434,600)	-	(17,734,321)
At 31 December 2021	37,646	-	12,294	65,931	34,700	38,667,752	-	-	38,818,323
Accumulated depreciation									
At 1 August 2019	170,930	10,316,565	169,588	24,357	67,383	-	-	-	10,748,823
Charge for the year	5,589	-	26,767	12,854	25,601	-	-	-	70,811
Disposals	-	-	-	-	(89,844)	-	-	-	(89,844)
At 31 July 2020	176,519	10,316,565	196,355	37,211	3,140	-	-	-	10,729,790
Charge for the period	9,553	-	10,956	18,212	16,208	-	-	-	54,929
Write offs	(158,452)	(10,316,565)	(201,550)	(30,698)	-	-	-	-	(10,707,265)
At 31 December 2021	27,620	-	5,761	24,725	19,348	-	-	-	77,454

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

10. Aircraft, plant and equipment (continued)

Group	Computer RM	IT equipment RM	Office equipment and furniture fittings RM	Renovation RM	Motor vehicles RM	Work in progress		Total RM
						Aircraft RM	Others RM	
Accumulated impairment loss								
At 1 August 2019/31 July 2020	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Write off	-	(5,534,022)	-	-	-	-	(1,434,600)	(6,968,622)
At 31 December 2021	-	-	-	-	-	-	-	-
Carrying amount								
At 31 December 2021	10,026	-	6,533	41,206	15,352	38,667,752	-	38,740,869
At 31 July 2020	11,736	-	38,103	75,788	6,280	-	-	131,907

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

10. Aircraft, plant and equipment (continued)

Company Cost	Computer RM	IT equipment RM	Office equipment and furniture fittings RM	Renovation RM	Motor vehicles RM	Work in progress		Total RM
						Aircraft RM	Others RM	
At 1 August 2019	170,930	15,850,587	224,543	53,661	112,305	-	1,434,600	17,846,626
Disposals	-	-	-	-	(112,305)	-	-	(112,305)
At 31 July 2020	170,930	15,850,587	224,543	53,661	-	-	1,434,600	17,734,321
Additions	4,008	-	-	-	19,000	38,667,752	-	38,690,760
Write offs	(170,930)	(15,850,587)	(224,543)	(53,661)	-	-	(1,434,600)	(17,734,321)
At 31 December 2021	4,008	-	-	-	19,000	38,667,752	-	38,690,760
Accumulated depreciation								
At 1 August 2019	170,930	10,316,565	169,588	24,357	67,383	-	-	10,748,823
Charge for the year	-	-	25,537	6,261	22,461	-	-	54,259
Disposals	-	-	-	-	(89,844)	-	-	(89,844)
At 31 July 2020	170,930	10,316,565	195,125	30,618	-	-	-	10,713,238
Charge for the period	1,447	-	9,214	8,871	4,433	-	-	23,965
Write offs	(170,930)	(10,316,565)	(204,339)	(39,489)	-	-	-	(10,731,323)
At 31 December 2021	1,447	-	-	-	4,433	-	-	5,880

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

10. Aircraft, plant and equipment (continued)

Company Accumulated impairment loss	Computer equipment RM	IT equipment RM	Office equipment and furniture fittings RM	Renovation RM	Motor vehicles RM	Work in progress		Total RM
						Aircraft RM	Others RM	
At 1 August 2019/31 July 2020	-	5,534,022	-	-	-	-	1,434,600	6,968,622
Write offs	-	(5,534,022)	-	-	-	-	(1,434,600)	(6,968,622)
At 31 December 2021	-	-	-	-	-	-	-	-
Carrying amount								
At 31 December 2021	2,561	-	-	-	14,567	38,667,752	-	38,684,880
At 31 July 2020	-	-	29,418	23,043	-	-	-	52,461

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

11. Investment in subsidiaries

	Company	
	31.12.2021 RM	31.7.2020 RM
Unquoted shares at cost		
At beginning of period/year	3,400,100	100
Additions	190	3,400,000
At end of period/year	<u>3,400,290</u>	<u>3,400,100</u>

The details of the subsidiaries are as follows:

Subsidiaries of the Company	Country of incorporation	Group's effective interest		Principal activities
		31.12.2021	31.7.2020	
Asia Cargo Wings Sdn Bhd (formerly known as Citilink Aviation (M) Sdn Bhd) ("ACW")	Malaysia	60%	60%	Commercial air transport operators
Smart Marine Tech Sdn Bhd	Malaysia	100%	100%	Research and development on information communication technology ("ICT") and supply of ICT equipment
SMT Turbojet Resources Sdn Bhd	Malaysia	100%	-	Dormant
SMT Drones Tech Sdn Bhd	Malaysia	90%	-	Dormant

Incorporation and acquisition of subsidiaries

In the current reporting period:

- On 19 July 2021, the Company incorporated a wholly-owned subsidiary, SMT Turbojet Resources Sdn Bhd ("STJ"), by subscribing to 100 ordinary shares representing 100% of the issued and paid-up share capital of STJ for a cash consideration of RM100.
- On 28 December 2021, the Company incorporated a subsidiary, SMT Drones Tech Sdn Bhd ("SDT"), by subscribing to 90 ordinary shares representing 90% of the issued and paid-up share capital of SDT for a cash consideration of RM90.

In the previous reporting period:

- The Company entered into a share sale agreement to acquire 3,240,000, representing 60% of the equity interest in ACW for a total purchase consideration of RM2,800,000. Consequently, ACW become a subsidiary of the Company.
- The Company subscribed for additional 600,000 ordinary shares for RM1.00 each in ACW. The equity interest in ACW still remained as 60% upon subscription.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

12. Goodwill on consolidation

	Group	
	31.12.2021	31.7.2020
	RM	RM
At beginning of period/year	2,776,548	-
Arising during the period/year	-	2,776,548
At end of period/year	2,776,548	2,776,548

12.1 Impairment testing for goodwill on consolidation

For the purpose of impairment testing, goodwill is allocated to the Group's commercial air transport operating segments which represent the lowest level cash-generating unit within the Group at which the goodwill is monitored for internal management purposes.

The goodwill impairment test of cash-generating unit is determined based on its value in use. Value in use is determined by discounting the future cash flows expected to be generated from the cash-generating unit and the following are the key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan including its terminal value.
- The following is the key industry market data used for the determination of weighted cost of capital of 9.31%

Debt to equity ratio	34%
Beta	1.02
Market interest rate	5.43%

The recoverable amount of the goodwill on consolidation has been determined as higher than its carrying amount. Management considers that it is not reasonably possible for the key assumptions to change so significantly as to eliminate this excess.

13. Investment in an associate

	Group and Company	
	31.12.2021	31.7.2020
	RM	RM
At cost		
At beginning/end of period/year	15,029	15,029
Accumulated impairment loss		
At beginning/end of period/year	(15,029)	(15,029)
Carrying amount	-	-

The details of the associate is as follows:

Name of associate	Country of incorporation	Group's effective interest		Principal activities
		31.12.2021	31.7.2020	
Smart Tag Technologies Sdn Bhd#	Malaysia	30%	30%	Dormant

Not audited by Russell Bedford LC PLT

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

14. Trade receivables

	Group		Company	
	31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Trade receivables	6,382,343	7,574,705	4,278,418	7,424,277
Less: Allowance for expected credit losses	(4,360,012)	(3,845,612)	(3,834,012)	(3,695,184)
	<u>2,022,331</u>	<u>3,729,093</u>	<u>444,406</u>	<u>3,729,093</u>

The Group and Company normal trade credit terms is 30 days (31.7.2020: 30 days to 120 days).

The movements in the allowance for expected credit losses of trade receivables during the reporting period are as follows:

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
At beginning of period/year	3,845,612	3,680,962	3,695,184	3,680,962
Allowance for expected credit losses	664,828	164,650	138,828	14,222
Write offs	(150,428)	-	-	-
At end of period/year	<u>4,360,012</u>	<u>3,845,612</u>	<u>3,834,012</u>	<u>3,695,184</u>

The following table details the credit risk exposure on the trade receivables.

	Group		Company	
	31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Not past due	-	-	-	-
More than 90 days past due	6,382,343	7,574,705	4,278,418	7,424,277
	<u>6,382,343</u>	<u>7,574,705</u>	<u>4,278,418</u>	<u>7,424,277</u>
Less: Allowance for expected credit losses	(4,360,012)	(3,845,612)	(3,834,012)	(3,695,184)
	<u>2,022,331</u>	<u>3,729,093</u>	<u>444,406</u>	<u>3,729,093</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

15. Other receivables, deposits and prepayments

	Group		Company	
	31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Non-current				
Advances made to the Joint – Operation Entity (Note 15.3)	4,943,900	4,943,900	4,943,900	4,943,900
Other receivables	2,200,000	2,200,000	2,200,000	2,200,000
	<u>7,143,900</u>	<u>7,143,900</u>	<u>7,143,900</u>	<u>7,143,900</u>
Less: Allowance of impairment loss	(7,143,900)	(7,143,900)	(7,143,900)	(7,143,900)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group		Company	
	31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Current				
Amount due from subsidiaries	-	-	2,546,689	2,309,315
Amount due from an associate	380,000	380,000	380,000	380,000
Other receivables	554,260	3,215,252	394,520	97,195
Deposits	4,986,043	5,276,597	4,881,663	5,023,590
Prepayments	-	2,000,000	-	2,000,000
	<u>5,920,303</u>	<u>10,871,849</u>	<u>8,202,872</u>	<u>9,810,100</u>
Less: Allowance of impairment loss	(4,880,000)	(7,317,059)	(5,706,845)	(7,091,220)
	<u>1,040,303</u>	<u>3,554,790</u>	<u>2,496,027</u>	<u>2,718,880</u>

15.1 Amount due from subsidiaries and associate

The amount due from subsidiaries and associate represent unsecured interest free advances receivable on demand.

15.2 Allowance for impairment loss

The movements in the allowance of impairment losses of other receivables, deposits and prepayments during the reporting period are as follows:

	Group		Company	
	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM	1.8.2020 to 31.12.2021 RM	1.8.2019 to 31.7.2020 RM
At beginning of period/year	14,460,959	4,200,000	14,235,120	4,200,000
Allowance for the period/year	-	10,260,959	826,845	10,035,120
Write offs	(2,437,059)	-	(2,211,220)	-
At end of period/year	<u>12,023,900</u>	<u>14,460,959</u>	<u>12,850,745</u>	<u>14,235,120</u>

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31 December 2021

15.3 Advances to the Joint Operation Entity

On 10 March 2016, the Company entered into a joint venture agreement (“JVA”) with Cherish Words Sdn Bhd (“CWSB”) to form an unincorporated joint operation to participate in a joint venture for subcontracting work. Subsequently, the JVA was terminated on 28 July 2017 by mutual consent, and the outstanding amount receivable of RM4,943,900 will be settled via contra of properties owned by CWSB.

16. Share capital

	31.12.2021 No. of ordinary shares	Group and Company		
		31.7.2020 No. of ordinary shares	31.12.2021 RM	31.7.2020 RM
Issued and fully paid:				
At beginning of period/year	176,690,656	148,900,656	23,655,293	17,385,288
Issuance of shares pursuant to:				
- private placement	144,538,600	14,890,000	14,770,184	3,045,005
- conversion of redeemable convertible notes (Note 20)	242,959,893	-	25,464,501	-
- share issuance scheme	-	12,900,000	-	3,225,000
At end of period/year	<u>564,189,149</u>	<u>176,690,656</u>	<u>63,889,978</u>	<u>23,655,293</u>

During the reporting period, the Company issued the following shares by way of:

- (i) Private placement of 53,007,100 new ordinary shares at an issue price of RM0.1577 per share for cash. Issuance costs of RM333,618 which were directly attributable to the issue of shares have been netted against the cash consideration received. The shares were issued for working capital purposes;
- (ii) Conversion of RM25,000,000 redeemable convertible notes to 217,959,893 new ordinary shares at an issue price of RM0.1147 per share;
- (iii) Conversion of RM2,500,000 redeemable convertible notes to 25,000,000 new ordinary shares at an issue price of RM0.10 per share; and
- (iv) Private placement of 91,531,500 new ordinary shares at an issue price of RM0.0747 per share for cash. Issuance costs of RM92,822 which were directly attributable to the issue of shares have been netted against the cash consideration received. The shares were issued for the expenses in respect of the expansion of its air cargo business.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

In the previous reporting period, the Company increased its issued and paid up share capital via the following:

- (i) Private placement of 14,890,000 new ordinary shares with 7,445,000 at an issue price of RM0.1960 per share and 7,445,000 at an issue price of RM0.2130 per share. The shares were issued for partial payment for the purchase consideration for the proposed acquisition of 60% in Citilink Aviation (M) Sdn. Bhd. (formerly known as Dexma Express Sdn Bhd) (“CASB”) and working capital purposes; and

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

16. Share capital (continued)

- (ii) Issuance of 12,900,000 new ordinary shares pursuant to the exercise of SIS options at the exercise price of RM0.25 per share.

16.1 Share issuance scheme options

The Company implemented an Employees' Share Issuance Scheme ("SIS") which is governed by the SIS By-Laws approved by its shareholders at the Extraordinary General Meeting held on 17 May 2017. The effective date for the implementation of the SIS is 26 October 2017.

The salient features of the SIS are as follows:

- (a) The SIS is administered by the Option Committee of the Company;
- (b) Employees (including directors) of the Company or its subsidiaries shall be eligible to participate in the SIS, if as at the date of offer, the employee:
- (i) has attained the age of eighteen (18) years;
 - (ii) is employed by a company in the Group, which is not dormant.

The allocation criteria of new ordinary shares comprised in the options to eligible employees shall be determined at the discretion of the Option Committee. The participation of an Executive Director of the Company in the SIS shall be approved by the shareholders of the Company in the general meeting;

- (c) The total number of new shares to be offered pursuant to the SIS shall not be more than 30% of the Company's issued and paid up share capital of the Company;
- (d) The SIS shall be in force for a period of 5 years with an extension period of another five (5) years from the first grant date.
- (e) The option price shall be fixed at the higher of the 5 day weighted average market price of the shares of the Company preceeding the date of offer with a discount of not more than 10%;
- (f) The number of shares so offered shall not be less than one hundred (100) Shares nor more than the maximum number of allocations granted by the Option Committee in multiples of one hundred (100) Shares; and
- (g) All new ordinary shares issued upon exercise of the options granted under the SIS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotment and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the options under the SIS.

The movements in the Company's SIS options are as follows:

Offer Date	Number of options over ordinary shares	
	27 May 2021	23 July 2018
At 1 August 2020	-	3,026,607
Granted	85,194,184	-
Exercised	-	-
At 31 December 2021	85,194,184	3,026,607
Exercise price (RM)	0.085	0.11

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

16.1 Share issuance scheme options (continued)

The fair value of the share options granted under the SIS is estimated at the grant date using Trinomial option pricing model, taking into account the terms and conditions upon which the instruments were granted. The key assumptions used for estimation of SIS for value were as follows:

	27 May 2021	2 October 2019
Expected volatility	64% - 91%	138%
Risk free interest rate	3.48%	2.00%
Expected life	518 days	1,095 days
Dividend yield	-	-

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

17. Reserves

	Group		Company	
	31.12.2021	31.7.2020	31.12.2021	31.7.2020
	RM	RM	RM	RM
Distributable:				
Accumulated losses	(23,381,869)	(15,925,650)	(22,196,550)	(15,325,628)
Non-distributable:				
Employee share option reserve	2,990,315	-	2,990,315	-
	<u>(20,391,554)</u>	<u>(15,925,650)</u>	<u>(19,206,235)</u>	<u>(15,325,628)</u>

Employee share option reserve represents the equity settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity settled share options, and is reduced by the expiry or exercise of the share options.

18. Trade payables

The normal trade credits granted to the Group and Company, range from 15 days to 30 days (31.7.2020: 30 days to 120 days).

19. Other payables and accruals

	Group		Company	
	31.12.2021	31.7.2020	31.12.2021	31.7.2020
	RM	RM	RM	RM
Amount due to a subsidiary	-	-	1,166,385	-
Other payables	2,831,238	1,897,801	943,879	1,031,878
Accruals	502,839	428,030	105,078	422,060
	<u>3,334,077</u>	<u>2,325,831</u>	<u>2,215,342</u>	<u>1,453,938</u>

The amounts due to a subsidiary represents unsecured interest free advances repayable on demand.

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31 December 2021

20. Redeemable convertible notes

	Group and Company	
	31.12.2021	31.7.2020
	RM	RM
At beginning of period/year	-	-
Issuance of redeemable convertible notes ("RCN")	25,464,501	-
Conversion of RCN into ordinary shares (Note 16)	(25,464,501)	-
At end of period/year	-	-

The Company has entered into a subscription agreement dated 20 October 2020 for the issuance of 1.0% redeemable convertible notes ("RCN") with an aggregate value of up to RM120,000,000 comprising four (4) tranches of a nominal value of RM25,000,000 fourth tranche, RM25,000,000 for the second tranche, RM35,000,000 for the third tranche and RM35,000,000 for the fourth tranche.

The salient features of the RCN are as follows:

RCN Maturity Date	:	60 months (5 years) from the closing date of the first sub-tranche of Tranche 1 Notes
Dividend	:	Cumulative preferential dividend at 1% per annum based on the RCN issue price payable semi-annually.
Conversion Right	:	Any RCN may be converted into new ordinary shares of the Company, at the option of the RCN holders, at any time, during before the RCN Maturity Date
RCN Conversion Price	:	The RCN Conversion Price shall be 80% of the average closing price of the Company for any 3 consecutive business days as selected by the RCN holders during the 45 business days immediately preceding the relevant conversion date of the RCN, subject to the RCN Minimum Conversion Price
RCN Conversion Cap	:	The RCN holders, collectively or together with their affiliates, shall not at any time hold more than 10% interest in the enlarged total number of ordinary shares of the Company without the prior approval of the Company
RCN Maximum Conversion Shares	:	450,000,000 ordinary shares
RCN Minimum Conversion Price	:	Minimum conversion price of RM0.10, at which RCN can be converted into ordinary shares
RCN Non-Default Redemption amount	:	110% of the issue price of the RCN
RCN Redemption Period	:	The period from the issue date to the RCN Maturity Date
RCN Conversion Downside Redemption	:	The Company may redeem the RCN presented for conversion in cash at the RCN Conversion Redemption Price if the RCN Conversion Price is less than or equal to 65% of the daily average of the traded volume weighted average prices of the Company's shares for the 45 consecutive business days period prior to issue date in respect of each tranche

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

20. Redeemable convertible notes (continued)

Ranking of the Conversion Shares : The ordinary shares issued from conversion of RCN shall, upon allotment and issuance, rank equally in all respects with the then existing ordinary shares

21. Significant related party disclosures

21.1 Related party balances

Individually significant outstanding balances arising from transactions (other than normal trade transactions) are as follows:

	Type of transactions	Group		Company	
		31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Financial assets					
With subsidiaries:					
Smart Marine Tech Sdn Bhd	Advances	-	-	2,497,739	7,315
	Allwance of expected credit loss	-	-	(826,845)	-
Asia Cargo Wings Sdn Bhd	Advances	-	-	-	2,302,000
SMT Turbojet Resources Sdn Bhd	Advances	-	-	48,950	-
With associate:					
Smart Tag Technologies Sdn Bhd	Advances	380,000	380,000	380,000	380,000
	Allwance of expected credit loss	(380,000)	(380,000)	(380,000)	(380,000)
Financial liabilities					
With a subsidiary:					
Asia Cargo Wings Sdn Bhd	Advances	-	-	1,166,385	-
With directors of a subsidiary					
	Advances	1,211,862	236,475	348,320	-

21.2 Compensation of key management personnel

The key management personnel comprises mainly executive directors of the Company whose remuneration is disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

22. Commitments

	Group and Company	
	31.12.2021	31.7.2020
	RM	RM
Capital commitments		
Capital expenditure not provided for in the financial statements are as follows:		
Authorised and contracted for	15,027,710	-
Analysed as follows:		
Aircraft, plant and equipment	15,027,710	-

23. Segment information

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segment separately for the purposes of making decision about resource allocation and performance assessment.

(i) Reporting segment

In the previous reporting period, there is no reporting segment is presented as the Group is predominantly operate in the business of Information Tecnology and Information Communication Technology division involved in the research, deployment and distribution of RFID ("RFID").

During the reporting period, the Group diversified its business to be involved the carrying out commercial air transport operations ("Air Operator"). Consequently, the Group has two reportable segments as follows:

- RFID
- Air Operator

The above reportable segments are predominantly operating in Malaysia.

1.8.2020 to 31.12.2021	RFID RM	Air Operator RM	Consolidated RM
Revenue			
Revenue from external customers	6,085,057	57,753	6,142,810
Results			
Loss before tax	(6,914,922)	(846,488)	(7,761,410)
Income tax expense	(33,404)	-	(33,404)
Net loss for the period	(6,948,326)	(846,488)	(7,794,814)
Non-controlling interests	-	338,595	338,595
Loss attributable to owners of the Company	(6,948,326)	(507,893)	(7,456,219)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

23. **Segment information** (continued)

31.12.2021	RFID	Air Operator	Consolidated
Assets and liabilities	RM	RM	RM
Segment assets	4,978,936	41,758,775	46,737,711
Segment liabilities	1,279,600	2,275,210	3,554,810
Other information			
Capital expenditure	54,573	38,667,752	38,722,325
Depreciation on - plant and equipment	23,965	30,964	54,929
Non cash items other than depreciation and amortisation			
Allowance for expected credit losses	664,828	-	664,828
Plant and equipment written off	34,376	24,058	58,434
Share option expenses	2,990,315	-	2,990,315

(ii) Major customers

Revenue from transactions with major customers that individually accounted for 10 percent or more of the Group's revenue are summarised below:

	1.8.2020	1.8.2019	
	to	to	
	31.12.2021	31.7.2020	
	RM	RM	Segment
Customer A	4,103,925	-	RFID
Customer B	1,981,132	1,786,860	RFID

24. **Financial instruments, financial risks and capital risk management**24.1 **Categories of financial instruments**

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	31.12.2021	31.7.2020	31.12.2021	31.7.2020
	RM	RM	RM	RM
Financial assets				
Amortised cost:				
- Trade and other receivables	3,062,634	7,283,883	2,940,433	6,447,973
- Cash and bank balances	2,157,129	28,250	2,060,784	25,121
	<u>5,219,763</u>	<u>7,312,133</u>	<u>5,001,217</u>	<u>6,473,094</u>
Financial liabilities				
Amortised cost:				
- Trade and other payables	3,521,910	2,468,414	2,403,175	1,596,521

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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24.2 Financial risk management policies and objectives

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than the following:

	Group		Company	
	31.12.2021 RM	31.7.2020 RM	31.12.2021 RM	31.7.2020 RM
Amount due from a subsidiary	-	-	1,670,894	2,302,020
Amount due from one customer	2,103,925	3,574,180	-	3,574,180
Bank balance placed with a financial institution	1,986,623	-	1,986,623	-

The Group's credit risk grading framework for expected credit losses ("ECL") model is as follows:

Category	Definition	Basis for recognition of ECL
Performing	The debtor has a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or the debtor is two years past due.	Amount is written off

i) Trade receivables

For trade receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. In determining the ECL of individual trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

24.2 Financial risk management policies and objectives (continued)

Credit risk management (continued)

ii) Other receivables

Other receivables other than the amount due from subsidiaries of RM2,546,689 (31.7.2020: RM2,309,315) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. The loss allowance for the amount due from subsidiaries is measured at an amount equal to the lifetime ECL as there has been a significant increase in credit risk since initial recognition. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

iii) Cash and bank balances

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions.

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by its equity. In addition, the Group has unissued tranches of redeemable convertible notes to meet its liquidity and working capital requirements.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Contractual cash flows (including interest payments)		
	Carrying amount RM	Total RM	On demand or within 1 year RM
Group			
31.12.2021			
Non interest bearing debts	3,521,910	3,521,910	3,521,910
	<u>3,521,910</u>	<u>3,521,910</u>	<u>3,521,910</u>
31.7.2020			
Non interest bearing debts	2,468,414	2,468,414	2,468,414
	<u>2,468,414</u>	<u>2,468,414</u>	<u>2,468,414</u>
Company			
31.12.2021			
Non interest bearing debts	2,403,175	2,403,175	2,403,175
	<u>2,403,175</u>	<u>2,403,175</u>	<u>2,403,175</u>
31.7.2020			
Non interest bearing debts	1,596,521	1,596,521	1,596,521
	<u>1,596,521</u>	<u>1,596,521</u>	<u>1,596,521</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

25. Fair value measurements

The carrying amounts of cash and bank balances, receivables and payables (current portion), and other liabilities approximate their respective fair values due to the respectively short-term maturity of these financial instruments.

26. Capital structure and capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt.

As at the reporting date, the Group's strategy was unchanged from 31 July 2020 which is to finance wholly by equity.

27. Prior year adjustments

The prior year adjustments are in respect of allowance of expected credit loss incurred in relation to trade and other receivables as the management did not carry out the expected credit loss assessment in the previous reporting period.

These fundamental errors have now been recognised by way of retrospective adjustments. The effects of the fundamental errors on the Group's financial statements are as follows:

	As previously reported RM	Prior year adjustments RM	Reclas- sification RM	As restated RM
Group				
Statement of comprehensive income for the year ended 31 July 2020				
Administrative expenses	(2,896,260)	-	1,014,222	(1,882,038)
Allowance of expected credit loss	-	(9,411,387)	(1,014,222)	(10,425,609)
Net loss/Total comprehensive loss for the year	<u>(1,057,765)</u>	<u>(9,411,387)</u>	<u>-</u>	<u>(10,469,152)</u>
Statement of financial position as at 31 July 2020				
Non current assets				
Other receivables, deposits and prepayments	3,943,900	(3,943,900)	-	-
Current assets				
Trade receivables	3,879,521	(150,428)	-	3,729,093
Other receivables, deposits and prepayments	8,919,831	(5,317,059)	(47,982)	3,554,790
Current liabilities				
Other payables and accruals	(2,373,813)	-	47,982	(2,325,831)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2021

27. **Prior year adjustments** (continued)

Group	As previously reported RM	Prior year adjustments RM	Reclas- sification RM	As restated RM
Equity				
Accumulated losses	(6,664,770)	(9,260,880)	-	(15,925,650)
Non-controlling interests	173,569	(150,507)	-	23,062
	As previously reported RM	Prior year adjustments RM	Reclas- sification RM	As restated RM
Company				
Statement of comprehensive income for the year ended 31 July 2020				
Administrative expenses	(2,148,607)	-	1,014,222	(1,134,385)
Allowance of expected credit loss	-	(9,035,120)	(1,014,222)	(10,049,342)
Net loss/Total comprehensive loss for the year	(444,717)	(9,035,120)	-	(9,479,837)
Statement of financial position as at 31 July 2020				
Non current assets				
Other receivables, deposits and prepayments	3,943,900	(3,943,900)	-	-
Current assets				
Other receivables, deposits and prepayments	7,810,100	(5,091,220)	-	2,718,880
Equity				
Accumulated losses	(6,290,508)	(9,035,120)	-	(15,325,628)

Consequently, certain comparative figures in the related notes and statement of cash flows of the Group and the Company have also been reclassified for consistency in presentation.

28. **Events subsequent to the reporting date**

Subsequent to the reporting date, the Group:

- (i) increased its issued and paid up capital by way of conversion of RM20,500,000 redeemable convertible notes to 205,000,000 new ordinary shares at an issue price of RM0.10 per share; and
- (ii) entered into Aircraft Purchase Agreement with Fairway Logistic (M) Sdn Bhd to purchase one unit of Bombardier Challenger 611-31 aircraft at the purchase consideration of USD1,800,000.

29. **Comparative figures**

The comparative figures relate to the 12 months for the period 1 August 2019 to 31 July 2020 and hence are not comparable to those of the current 17 months period ended 31 December 2021.

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2022

TOTAL NUMBER OF ISSUED SHARES	:	769,189,149
CLASSES OF SHARES	:	Ordinary Shares
VOTING RIGHTS	:	One vote per ordinary share (on poll)

ANALYSIS OF SHAREHOLDINGS

Size of Shareholding	No of Holders	%	No. of Shares	%
1 - 99	243	3.269	9,888	0.001
100 – 1,000	809	10.882	336,470	0.044
1,001 - 10,000	2,227	29.957	13,378,696	1.739
10,001 – 100,000	3,190	42.911	132,253,275	17.194
100,001 – 38,459,457*	965	12.981	623,210,820	81.022
38,459,458 AND ABOVE**	0	0.000	0	0.000
TOTAL	7,434	100.00	769,189,149	100.00

Remark:

* Less than 5% of issued shares

** 5% and above issued shares

SUBSTANTIAL SHAREHOLDER

As per the Register of Substantial Shareholders

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
-	-	-	-	-
TOTAL				

DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
Azmi Bin Osman	-	-	-	-
Dato' Sri Shahrudin Bin Khalid	-	-	-	-
Dato' Zaidi Bin Mat Isa @ Hashim	-	-	-	-
Dato' Saiful Nizam Bin Mohd Yusoff	-	-	-	-
Datuk Seri Tan Choon Hwa	20,000,000	2.60	-	-
Datuk Wira Justin Lim Hwa Tat	-	-	-	-
Mahnorizal Bin Mahat	-	-	-	-
Tan Chee Keang	-	-	-	-

ANALYSIS OF SHAREHOLDINGS (Cont'd)

As at 31 March 2022

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Shares
1.	PANG CHIN KAN	20,800,000	2.704
2.	KENANGA NOMINEES (ASING) SDN BHD ADVANCE OPPORTUNITIES FUND I	15,000,000	1.950
3.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA EI MING (KUCHAI-CL)	13,865,000	1.803
4.	SALLY YAP PHAIK KEOW	12,000,000	1.560
5.	AMIRUL RAHMAN BIN ABDUL RAHIM	11,400,000	1.482
6.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TE SIOW CHENG	11,000,000	1.430
7.	YAW CHIH JIA	10,231,700	1.330
8.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHOON HWA (7007201)	10,000,000	1.300
9.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIN @ TAN PEK-HAN (MF00027)	10,000,000	1.300
10.	CHOW CHEE KEONG	10,000,000	1.300
11.	DATUK SERI TAN CHOON HWA	10,000,000	1.300
12.	ABDUL HAMED BIN SEPAWI	8,550,000	1.112
13.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM PANG KIAM	8,500,000	1.105
14.	BOO LEAN TAT	8,500,000	1.105
15.	KENANGA NOMINEES (ASING) SDN BHD ADVANCE OPPORTUNITIES FUND	8,200,038	1.066
16.	CGS-CIMB NOMINEESS (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY HOCK SOON (MY1055)	8,000,000	1.040
17.	CGS-CIMB NOMINEESS (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG QUET SIONG (S PETALING-CL)	8,000,000	1.040
18.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG KIM FONG	7,800,000	1.014
19.	HENG KEAR HUAT	6,900,000	0.897
20.	YONG YOOK SENG	6,900,000	0.897
21.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIN @ TAN PEK-HAN	6,500,000	0.845
22.	PHEH SIEW KENG	6,133,600	0.797
23.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	5,805,500	0.755
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHOW POH YUEN	5,200,000	0.676
25.	LEE WOAN PEY	5,000,000	0.650
26.	SAFRI BIN CHE KUB	4,850,000	0.631
27.	ONG NGOH ING @ ONG CHONG OON	4,400,000	0.572
28.	PANG CHIN KAN	4,000,000	0.520
29.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	3,910,250	0.508
30.	NITESH MALANI A/L MAHENDRA KUMAR	3,500,000	0.455
		254,946,088	33.145

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of SMTRACK BERHAD will be held at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 30 June 2022 at 10.30 a.m. to transact the following business:-

AGENDA

1. To receive the Audited Financial Statements for the financial period ended 31 December 2021 together with Reports of the Directors' and the Auditors' thereon.

Please refer to Note 7

2. To approve the Directors' fees and benefits of payable up to an amount of RM420,000.00 for the period from 1 July 2022 until the next Annual General Meeting of the Company to be held in 2023.

Ordinary Resolution 1

3. To re-elect the following Director who retires pursuant to Clause 97 of the Constitution of the Company:-

4. (i) Mr. Mahnorizal Bin Mahat

Ordinary Resolution 2

4. To re-elect the following Directors who retire pursuant to Clause 104 of the Constitution of the Company:-

- (i) Dato' Saiful Nizam Bin Mohd Yusoff
- (ii) Mr. Tan Chee Keang
- (iii) Datuk Seri Tan Choon Hwa
- (iv) Datuk Wira Justin Lim Hwa Tat

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

Ordinary Resolution 6

5. To re-appoint Messrs. Russell Bedford LC PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

As Special Business

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

6. **AUTHORITY FOR DIRECTORS TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

“**THAT** subject to Sections 75 and 76 of the Companies Act, 2016 (“the Act”), Constitution of the Company, Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant authorities, the Directors be and are hereby authorized pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued.”

Ordinary Resolution 8

7. To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
(SSM Practising Certificate No.: 201908000410)
Company Secretary

Kuala Lumpur
Date : 29 April 2022

NOTES :

1. A member entitled to attend and vote at the meeting of the Company is entitled to appoint up to two (2) proxies to attend and vote in his stead, and that a proxy may but need not be a Member.
2. Where a member appoints more than one proxy to attend at the same meeting, the instrument of proxy must specify the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each securities account (“Omnibus account”) it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarized certified copy of that power or authority, shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding the meeting and any adjournment thereof.
6. In respect of deposited securities, only a member whose names appear on the Record of Depositors on 23 June 2022 shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/vote on his behalf.
7. Agenda 1 is to table the Audited Financial Statements pursuant to the provision of Section 340(1)(a) of the Companies Act, 2016 and is meant for discussion only. It does not require a formal approval and/or adoption by the shareholders of the Company and hence, Agenda 1 is not put forward for voting.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

EXPLANATORY NOTES:

Ordinary Resolution 1

- Directors' Fees and Benefit

Section 230 (1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. The Board of Directors is seeking approval from the shareholders for the payment of Directors' fees and benefits payable to Non-Executive Directors for the period from 1 July 2022 until the conclusion of the next AGM of the Company in 2023.

Ordinary Resolution 8

- Resolution pursuant to Sections 75 and 76 of the Companies Act, 2016

The Proposed Ordinary Resolution 8, if passed, is to give the Directors of the Company flexibility to issue and allot shares up to an amount not exceeding ten per centum (10%) of the Company's total number of issued share capital for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the last AGM held on 28 December 2020 which will lapse at the conclusion of this AGM.

This authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, a total of 91,531,500 Placement Shares has been issued and allotted on 23 December 2021. The status of the utilisation of proceed raised from the Proposed Private Placement is as follows:-

<u>Purpose</u>	<u>Proposed Utilisation RM'000</u>	<u>Actual Utilisation RM'000</u>	<u>Intended Timeframe for Utilisation (from listing date</u>
Expenses in respect of the Cainiao Services	1,200	1,200	Within 7 months
Expansion of the Group's air cargo business	5,309	5,166	Within 18 months
Estimated expenses relating to the Proposed Private Placement	328	471	Within 1 month
Total	6,837	6,837	

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Sixteenth Annual General Meeting of SMTrack Berhad are as follows:
 - i. Mr. Mahnorizal Bin Mahat
 - ii. Dato' Saiful Nizam Bin Mohd Yusoff
 - iii. Mr. Tan Chee Keang
 - iv. Datuk Seri Tan Choon Hwa
 - v. Datuk Wira Justin Lim Hwa Tat

The profile of the Directors who are standing for re-election is set out on page 12 to 16 of this Annual Report.

2. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial period ended 31 December 2021 are disclosed in the Corporate Governance Statement set out on page 21 of this Annual Report.
3. The details of the Sixteenth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Broadcast Venue
Thursday, 30 June 2022	10.30 a.m.	Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur

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SMTRACK

SMTRACK BERHAD

Registration No.: 200401000918 (639421-X)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No. of shares held	

I/We, _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

Telephone number _____ Email address _____ being a Member/

Members of **SMTRACK BERHAD** hereby appoint _____
(FULL NAME IN BLOCK LETTERS)

NRIC/Passport No. _____ of _____
(FULL ADDRESS)

Telephone number _____ Email address _____ or failing whom,

_____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

Telephone number _____ Email address _____

or failing whom, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the SIXTEENTH ANNUAL GENERAL MEETING of the Company ("the Meeting") will be conducted fully virtual at the Broadcast Venue at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 30 June 2022 at 10.30 a.m. and at any adjournment thereof.

** Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

My/our proxy is to vote as indicated below:

	Resolution	For	Against
Ordinary Resolution 1	To approve the Directors' fees and benefits of payable up to an amount of RM 420,000.00 for the period from 1 July 2022 until the next Annual General Meeting of the Company to be held in 2023.		
Ordinary Resolution 2	Re-election of Encik Mahnorizal Bin Mahat as Director.		
Ordinary Resolution 3	Re-election of Dato' Saiful Nizam Bin Mohd Yusoff as Director.		
Ordinary Resolution 4	Re-election of Mr. Tan Chee Keang as Director.		
Ordinary Resolution 5	Re-election of Datuk Seri Tan Choon Hwa as Director.		
Ordinary Resolution 6	Re-election of Datuk Wira Justin Lim Hwa Tat as Director.		
Ordinary Resolution 7	Re-appointment of Messrs. Russell Bedford LC PLT as the Company's Auditors and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 8	Authority for Directors to allot and issue shares under Sections 75 and 76 of the Companies Act, 2016.		

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

_____	For appointment of two proxies, percentage of shareholdings to be represented by the proxies:	
Signature/Common Seal		<u>Percentage</u>
	Proxy 1	%
	Proxy 2	%
Date: _____	Total	_____ 100%

NOTES :

1. A member entitled to attend and vote at the meeting of the Company is entitled to appoint up to two (2) proxies to attend and vote in his stead, and that a proxy may but need not be a Member.
2. Where a member appoints more than one proxy to attend at the same meeting, the instrument of proxy must specify the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each securities account (“omnibus account”) it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarized certified copy of that power or authority, shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding the meeting and any adjournment thereof.

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**AFFIX
STAMP**

The Company Secretary
SMTRACK BERHAD (Registration No. 20040100918 (639421-X))
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

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6. In respect of deposited securities, only a member whose names appear on the Record of Depositors on 23 June 2022 shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/vote on his behalf.