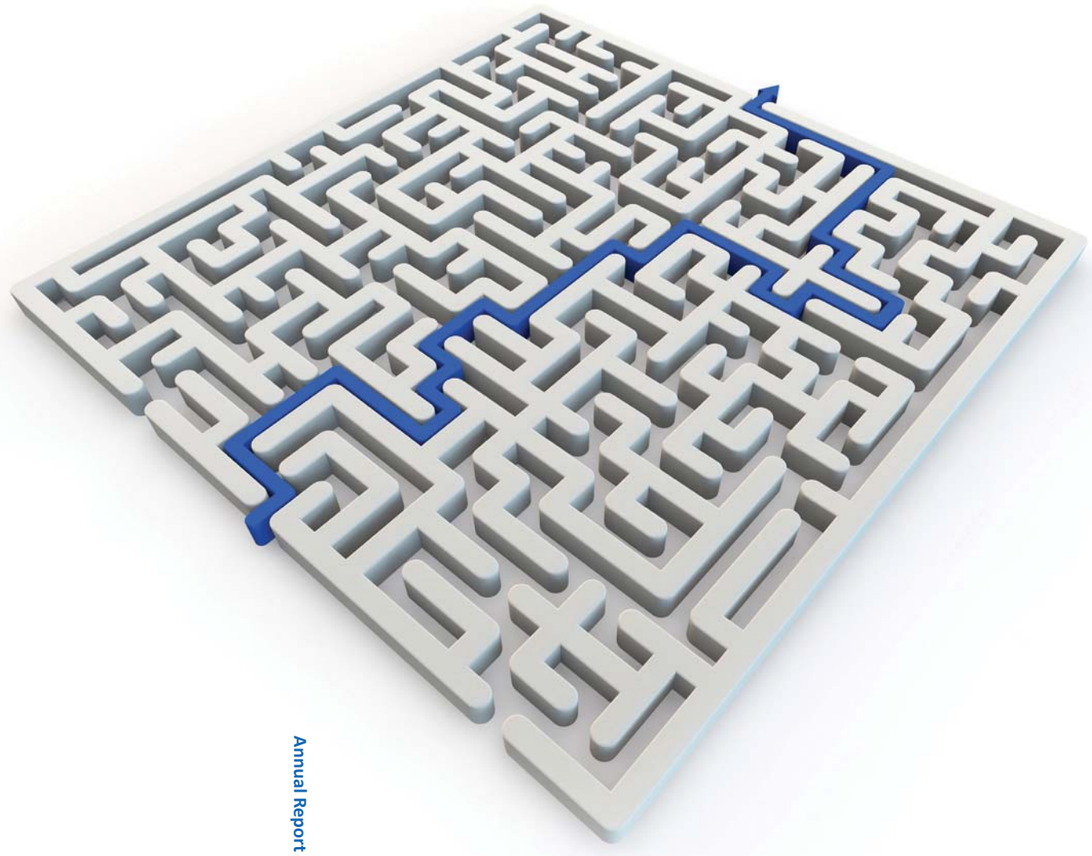
Smartag Solutions Berhad (639421-X)

Annual Report 2013



Smartag Solutions Berhad (639421-X)

4808-1-26, CBD Perdana 2, Persiaran Perdana,
63000 Cyberjaya, Selangor, Malaysia.

tel **+603 8319 4088** fax **+603 8601 0271**
web **www.smartag.my** email **ir@smartag.my**

MSC MALAYSIA Status Company

GS1 EPCglobal

Microsoft Partner
Gold Independent Software Vendor (ISV)
Silver Independent Software Vendor (ISV)

SMARTAG

Smartag Solutions Berhad
(639421-X)

Annual Report 2013

OUR MISSION AND VISION STATEMENTS

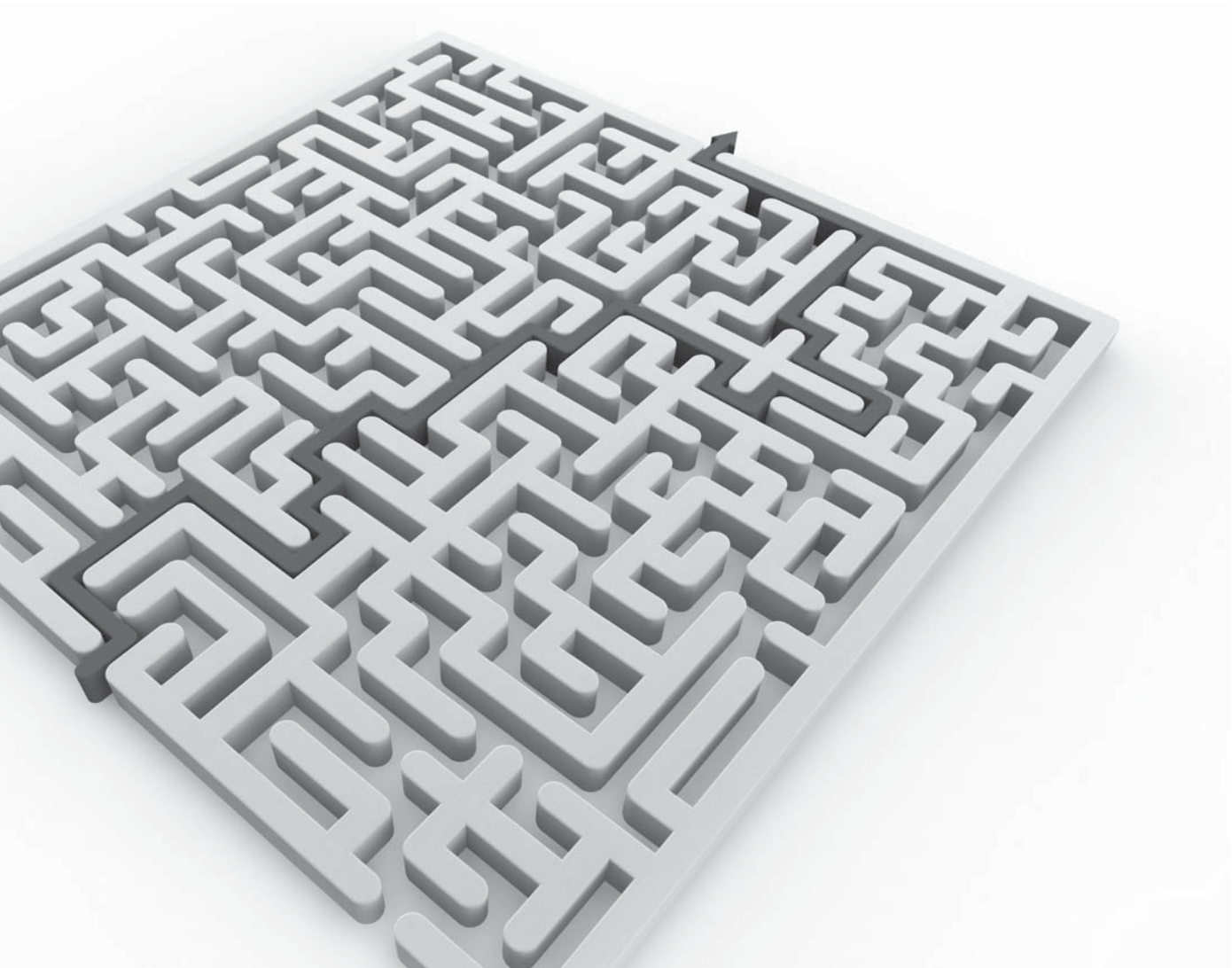
MISSION
Providing complete innovative technology solutions and services.

VISION
To be a global leader in innovative technology solutions and services.

TAGLINE
Staying Steps Ahead

CONTENTS

Chairman's Statement	03
CEO's Statement	04
Corporate Profile	05
Corporate Information	06
Directors' Profile	07
Chief Executive Officer Profile	10
Corporate Governance Statement	11
Audit & Risk Management Committee Report	22
Statement on Risk Management and Internal Control	27
Directors' Responsibility Statement	30
Additional Compliance Information	31
Corporate Social Responsibility	33
Financial Statements	34
Analysis of Shareholdings	97
List of Properties	99
Notice of Annual General Meeting	100
Proxy Form	



Chairmans' Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Smartag Solutions Berhad (“Smartag”), I hereby present herewith, the Annual Report and financial statements of the Group and the Company for the financial year ended (“FYE”) 30 September 2013.

During the year, Smartag underwent some corporate changes and internal re-organisation resulting in a new team helmed by Mr Yow Lock Sen as the Chief Executive Officer (**“CEO”**) and the moving of Smartag’s corporate office from Penang to Cyberjaya, Selangor. Mr Yow Lock Sen joined Smartag on 18 February 2013 and he has an extensive career spanning a wide array of industries from oil and gas exploration with Schlumberger, legal advisory work with a leading legal firm in Singapore, private equity investment banking with a foreign European banking group to telecommunications and multimedia for the region.

With the systematic and structural change in place, we are looking forward towards new projects, new products and new markets in all corners of the globe.

CORPORATE DEVELOPMENT

In relation to the implementation and operation of the Container Security and Trade Facilitation System using Radio Frequency Identification (**“RFID”**) project at Jabatan Kastam Diraja Malaysia (**“JKDM”** or **“Customs”**)(referred to as the **“Secured Trade Project”**) which had commenced commercialisation in September 2012, the usage of the Secured Trade Project is still at an early phase as Smartag continues to engage with the Customs and the stakeholders to establish a standard operating procedure.

During the year, Smartag successfully developed a payment gateway in relation to the provision of mobile payment cloud service which interconnects Celcom AirCash to worldwide merchants enabling Celcom subscribers to pay for goods purchased online via their AirCash account. With this, Smartag had made available Steam Wallet game codes for purchase via Celcom Aircash, a popular licensed product granted to Online e-club Management Sdn Bhd (“E-Club”) by Valve Corporation, an American video game development and digital distribution company which includes popular games titles such as Counter Strike, Left4Dead, Team Fortress, Half Life 2, Day of Defeat and DOTA 2.

FINANCIAL PERFORMANCE

For the current financial year ended FYE 30 September 2013, the Group recorded revenue of RM1.158 million, which represents a decrease of RM0.183 million as compared to the revenue of RM1.341 million registered in the preceding financial year. The revenue of 1.158 million for the current financial year was mainly contributed by sales of RFID solutions, software solutions and related equipment which amounted to RM0.976 million, recurring revenue stream of RM0.163 million from the Secured Trade Project and RM0.017 million from RFID Container Security Service in Thailand.

The Group recorded a loss before taxation of RM17.135 million for the current financial year as compared to a loss before taxation of RM2.698 million registered in the preceding financial year. The higher losses incurred for the current financial year was mainly due to impairment of property, plant and equipment related to a container tracking project and software assets amounting to RM6.025 million and RM3.538 million respectively as the management had assessed that the future economic benefit generated by these assets are not expected to match with its carrying value, additional depreciation of RM2.824 million of assets as a result of the readiness and commercialisation of the Secured Trade Project, increase in staff cost by RM0.642 million due to staff restructuring exercise, additional expenses incurred by its subsidiary, Smartag International Inc. of RM0.388 million to activate it from dormant status, increase in consultancy and technical fee of RM0.280 million, reduction in other income of RM0.227 million from fixed deposits interest due to lower bank balances and lower capitalisation of staff cost of RM0.197 million.

Moving forward, we expect the future financial performance of the Group to improve with the growth in usage of the Secured Trade Project and the gradual execution of the Group’s business strategies. The Group’s balance sheet remains at zero gearing position as at 30 September 2013. Further, having impaired certain assets of the Group during the current financial year as mentioned above, the Group’s balance sheet will be better reflected.

PROSPECTS

The Group will continue to seek new opportunities and projects to diversify its revenue base, by expanding mobile payment cloud service regionally and expand the scope of RFID application to residential developments and business solutions.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to the management and employees of the Group for their contribution to the Group during the financial year under review.

My appreciation also goes to my fellow Directors for their committed efforts during the year towards achievement of our corporate objectives.

Finally, I would like, on behalf of the Group, to thank our valued and patience shareholders, customers, and business associates and the authorities for their support rendered to the Group in the year 2013.

Thank you.

DATUK AMAR ABDUL HAMED BIN SEPAWI
Chairman

Date : 21 February 2014

CEO's Statement

To our valued shareholders,

I joined Smartag in the beginning of 2013, knowing of the challenges which lie ahead to turn around the financials of the Group. Although turning around the Group takes time, by charting a new strategy together with the support of the board of directors, I believe that we have now charted the right course going forward. The clue lies in food traceability.

Whilst food traceability may not be of a major issue in Malaysia at the moment, nevertheless, it is of serious concern in many other places including China, the Middle East (for Halal food) and even in Europe and the United States of America ("US") lately. Information technology is ubiquitous and in order to move forward to provide such cross border services, Smartag has to go where the trace leads to. That is the crux of our strategy – Go regional if not international but on focused initiatives.

Now that we have charted this strategy and with a very passionate new but experienced team, what is needed now is proper implementation and execution.

OUTLOOK AND PROSPECT

In 2014, the Secured Trade Project is expected to enter into a new phase with the majority of the freight forwarders being supportive of the same. We are also anticipating support from the JKDM and the Ministry of Finance for this innovative PEMANDU project with proper Standard Operating Procedures and resolving the issues relating to requests from the users for financial support. Whilst hoping for a favourable outcome from the discussions going forward, we have nevertheless expanded the Secured Trade Project into a more expansive role by offering a comprehensive track and trace solution which is not only limited to container tracking but also virtually door to door tracking along the supply chain in general and food traceability in particular. As a result thereof, we envisage that by the end of 2014, the Group will have the capabilities to track containers and/or items to further provide value add to manufacturers, shippers and logistics companies alike. And, we also believe in going international.

During the FYE 30 September 2013, our subsidiary in US, Smartag International Inc. has taken on a new phase following its activation from dormant status which was accepted by the US Securities and Exchange Commission. Although still at the infancy stage, revenue has started to trickle in by end of FYE 30 September 2013. At the same time, we have also ventured into the Indonesian market via our business partner, Celcom eCommerce Sdn Bhd, related company in Indonesia for sales of online products using our new payment gateway solutions. Moving forward, the Group also plans to venture into the Hong Kong and China market whereby we will use our subsequent presence there to actively market our food traceability capabilities in Mainland China where food safety is of major concern there.

Last but not least, we would like to appreciate all our valued shareholders for your continuous support. Moving ahead, we believe that 2014 will be an exciting year.

Thank you.

YOW LOCK SEN
CEO

Date : 21 February 2014

Corporate Profile

Smartag Solutions Berhad (**"Smartag"** or the **"Company"**) was incorporated in Malaysia on 12 January 2004 under the Companies Act, 1965 as a private limited company under the name of Smartag and was subsequently converted into a public limited company on 11 June 2008 and assumed its present name.

The corporate structure of Smartag and its subsidiaries and jointly controlled entity (**"Group"**) is as follows:

Smartag Solutions Berhad

Date / country of incorporation	: 12.01.2004 / Malaysia
Issued and paid-up capital (RM)	: 22,700,000
Principal activities	: Provision of RFID solutions for various applications

Smartag Technologies Sdn. Bhd. (100.00%)

Date / country of incorporation	: 27.11.2002 / Malaysia
Issued and paid-up capital (RM)	: 50,098
Principal activities	: Currently dormant

Smartag International Inc. (94.01%)

Date / country of incorporation	: 24.03.1999 / USA
Total paid-in capital (USD)	: 1,238,998
Principal activities	: Information technology & solutions

My Record Sdn. Bhd. (50.00%)
(formerly known as Sure-Reach Smartag Sdn. Bhd.)

Date / country of incorporation	: 11.03.2010 / Malaysia
Issued and paid-up capital (RM)	: 10,030,000
Principal activities	: R&D of information technologies

Corporate Information

BOARD OF DIRECTORS

Datuk Amar Abdul Hamed bin Sepawi
(Non-Independent Non-Executive Chairman)

Dato' Sri Haji Mohamed Khalid bin Yusuf @ Yusup
(Non-Independent Non-Executive Director)

Dato' Ngiam Foon
(Senior Independent Non-Executive Director)

Dato' Seri Chia Kwang Chye
(Independent Non-Executive Director)

Dr. Lim Boh Soon
(Independent Non-Executive Director)

PRINCIPAL OFFICER

Yow Lock Sen
Chief Executive Officer

Chang Junn
Chief Financial Officer

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Tan Wee Sin (MAICSA 7044797)

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7720 1188
Fax : (603) 7720 1111

HEAD OFFICE

4808-1-26, CBD Perdana 2
Persiaran Perdana
63000 Cyberjaya
Selangor Darul Ehsan
Tel : (603) 8319 4088
Fax : (603) 8601 0271
Website : http://www.smartag.my
Email : ir@smartag.my

SPONSOR

Kenanga Investment Bank Berhad (15678-H)
801, 8th Floor, Kenanga International
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : (603) 2027 5555
Fax : (603) 2164 6690

AUDIT & RISK MANAGEMENT COMMITTEE

Dato' Ngiam Foon *(Chairman)*
Dato' Seri Chia Kwang Chye *(Member)*
Dr. Lim Boh Soon *(Member)*
Dato' Sri Haji Mohamed Khalid bin Yusuf @ Yusup *(Member)*

NOMINATION COMMITTEE

Dr. Lim Boh Soon *(Chairman)*
Dato' Ngiam Foon *(Member)*
Dato' Seri Chia Kwang Chye *(Member)*
Dato' Sri Haji Mohamed Khalid bin Yusuf @ Yusup *(Member)*

REMUNERATION COMMITTEE

Dato' Seri Chia Kwang Chye *(Chairman)*
Dr. Lim Boh Soon *(Member)*
Dato' Ngiam Foon *(Member)*
Datuk Amar Abdul Hamed bin Sepawi *(Member)*

AUDITORS

Baker Tilly Monterio Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7720 1188
Fax : (603) 7720 1111

PRINCIPAL BANKERS

CIMB Bank Berhad (13491-P)
United Overseas Bank (Malaysia) Bhd (271809K)

STOCK EXCHANGE LISTING

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

Directors' Profile

DATUK AMAR ABDUL HAMED BIN SEPAWI
Non-Independent Non-Executive Chairman
Age 65, Malaysian

Datuk Amar Abdul Hamed bin Sepawi is the Non-Independent Non-Executive Chairman of Smartag Solutions Berhad ("Smartag"). He was appointed to the Board of Smartag as a Non-Independent Non-Executive Director on 2 July 2008 and is a member of the Remuneration Committee of Smartag.

He graduated with a Bachelor of Science degree from University of Malaya in 1971. He pursued undergraduate studies in Forestry at the Australia National University and later obtained a Master of Science degree in Forest Products from Oregon State University, USA. He has been involved in forest management and manufacturing for the last 16 years.

He is the Chairman of Ta Ann Holdings Berhad, Naim Holdings Berhad and Sarawak Plantation Berhad, companies listed on Bursa Malaysia Securities Berhad. He is also the Chairman of Sarawak Energy Berhad and Syarikat SESCO Berhad, which are non-listed companies

He has attended eight (8) Board of Directors' Meetings held in the financial year ended 30 September 2013.

DATO' SRI HAJI MOHAMED KHALID BIN YUSUF @ YUSUP
Non Independent Non-Executive Director
Age 61, Malaysian

Dato' Sri Haji Mohamed Khalid bin Yusuf @ Yusup is a Non-Independent Non-Executive Director of Smartag. He was appointed to the Board of Smartag on 26 December 2012. He is presently a member of the Audit & Risk Management Committee and Nomination Committee of Smartag. He holds a Bachelor of Arts (Honours) Degree from the University of Malaya and subsequently obtained his Master of Science Degree in Human Resource Management from USA. He served in the public service in various capacities and retired as Director General of Customs Malaysia. He has extensive work experience at management level in the field of enforcement, indirect taxation, audit and compliance management, public financial management and accounts, policy formulation and trade facilitation. At international level, he had served in several committees at World Customs Organization, delivered presentations at various international forum and seminars, and chaired several committees and working groups at ASEAN level. Currently, he is also the Chairman of MISAR Sdn Bhd and Senior Advisor to the International Tax and Investment Center (Washington DC).

He does not hold any directorship in other public companies in Malaysia.

He has attended seven (7) Board of Directors' Meetings held in the financial year ended 30 September 2013 as he was appointed to the Board on 26 December 2012.

Directors' Profile
cont'd

DATO' NGIAM FOON
Senior Independent Non-Executive Director
Age 58, Malaysian

Dato' Ngiam Foon is a Senior Independent Non-Executive Director of Smartag. He was appointed to the Board of Smartag on 20 September 2010. He is presently the Chairman of the Audit & Risk Management Committee and a member of the Nomination Committee and Remuneration Committee of Smartag respectively.

He holds professional qualifications from the Institute of Chartered Accountants in England and Wales which he obtained in 1982 and the Chartered Institute of Management Accountants obtained in 1983. He is a member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Management.

He is actively involved in the travel and tour industry. He has held leading positions on the Malaysian Association of Tour and Travel Agents (MATTA), since 2005. He was also a board member on the Malaysian Tourism Promotion Board from 2005 to 2009 and was Co-Chairman of the Tourism Focus Group of the Malaysian Services Development Council from 2007 to 2009. He also actively served on several travel advisory boards including Malaysia Healthcare Travel Advisory Board under the Ministry of Health from 2009 to 2011, American Express Global Travel Network Advisory Board from 1996 to 2002 and BCD Travel Global Advisory Council which is one of the largest travel management companies in the world from 2007 to 2009. He is currently the CEO of a group of travel companies including Asia Experience Tours Sdn Bhd and PST Travel Services Sdn Bhd. He does not hold any directorship in other public companies in Malaysia.

He has attended all nine (9) Board of Directors' Meetings held in the financial year ended 30 September 2013.

DATO' SERI CHIA KWANG CHYE
Independent Non-Executive Director
Age 62, Malaysian

Dato' Seri Chia Kwang Chye is an Independent Non-Executive Director of Smartag. He was appointed to the Board of Smartag on 20 September 2010. He is currently the Chairman of the Remuneration Committee and a member of the Audit & Risk Management Committee and Nomination Committee of Smartag respectively.

He holds a Master of Science Degree in Human Settlement Planning from the Asian Institute of Technology, Bangkok, Thailand which he obtained in 1981 and a Bachelor of Science Degree in Housing, Building and Planning from Universiti Sains Malaysia, Penang, Malaysia which he obtained in 1977.

He has been actively involved in politics and has held portfolios as Deputy Minister of Information in the Ministry of Information from 2006 to 2008, as Deputy Minister of Internal Security in the Ministry of Internal Security from 2004 to 2006 and was also Parliamentary Secretary under the Ministry of Energy, Communications and Multimedia (now known as the Ministry of Energy, Water and Communications) from 1999 to 2004. He was also Member of Parliament for the Bukit Bendera constituency in Penang for 13 years until 2008. He held the position of Secretary General and Vice President of Parti Gerakan Rakyat Malaysia. From 2001 to 2004, he has been the Chairman of the Connectivity Steering Committee of Penang K-ICT Council (now known as the K-Economy Council) which is tasked in advancing and improving the state of Penang in various aspects through ICT. He does not hold any directorship in other public companies in Malaysia.

He has attended six (6) Board of Directors' Meetings held in the financial year ended 30 September 2013.

Directors' Profile
cont'd

LIM BOH SOON
Independent Non-Executive Director
Age 58, Singaporean

Lim Boh Soon is an Independent Non-Executive Director of Smartag. He was appointed to the Board of Smartag on 20 September 2010. He is presently the Chairman of the Nomination Committee and a member of the Audit & Risk Management Committee and Remuneration Committee of Smartag respectively.

He holds a Bachelor of Science (1st Class Honours) Degree in Mechanical Engineering from the University of Strathclyde, United Kingdom that he obtained in 1981 and subsequently his Ph.D in Mechanical Engineering in 1985. He also holds a Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom as well as a Graduate Diploma in Marketing Management from the Singapore Institute of Management, Singapore both of which he obtained in 1991. He was also awarded the SMU-SID Executive Certificate in Directorship from the Singapore Management University in 2007.

He was the CEO of Kuwait Finance House (Singapore) Pte Ltd from 2007 to 2010 and was tasked to set up the Islamic fund management operations in Singapore. He was a key member of the Kuwait Finance House that initiated and successfully set-up the USD150 million Shariah-compliant shipping fund for Kuwait Finance House (Labuan) Berhad and SFS Group PCL.

Prior to 2007, he was the first foreign expatriate CEO of Vietcombank Fund Management Company ("VCBF"), which is a subsidiary of the largest Vietnamese state-owned Bank for Foreign Trade of Vietnam. At VCBF, he was instrumental in establishing the fund management operations, obtaining its investment license and went on to successfully raise two (2) closed end private equity funds (totalling USD142.3 million) and two (2) offices in Hanoi and Ho Chi Minh respectively.

Over the years, he held various senior management positions and has helmed the position of CEO or partner in various regional and multinational companies (that include The Singapore Technologies Group, NatSeel Group. He does not hold any directorship in other public companies in Malaysia.

He has attended all nine (9) Board of Directors' Meetings held in the financial year ended 30 September 2013.

All Directors do not have any family relationship with any director and/or major shareholder of Smartag, nor any conflict of interests in any business arrangement involving Smartag and have no convictions for any offences within the past ten years other than traffic offences, if any.

Chief Executive Officer Profile

YOW LOCK SEN
Chief Executive Officer
Age 58, Malaysian

Yow Lock Sen joined Smartag as the Chief Executive Officer on 18 February 2013.

He holds a Bachelor of Science (Honours) Degree in Electrical and Electronic Engineering from the University of Manchester, United Kingdom, a Bachelor of Laws (Honours) from the University of Buckingham, United Kingdom Barrister-at-law, England and Wales and a Masters in Finance (MBA-Finance) from RMIT, Melbourne, Australia.

His career spanned a wide array of industries from oil and gas exploration with Schlumberger, legal advisory work with a leading legal firm in Singapore, private equity investment banking with a foreign European banking group to telecommunications and multimedia for the region. Amongst the many countries in which he had worked include Egypt, Abu Dhabi, Philippines, Indonesia, Malaysia, Taiwan, China and India. He does not hold any directorship in other public companies in Malaysia.

He is deemed interested by virtue of his son's shareholdings in Online Entertainment Sdn Bhd, which is in turn a substantial shareholder of the Company.

He does not have any family relationship with any director and/or substantial shareholders of Smartag nor any conflict of interest in any business arrangement involving Smartag and have no convictions for any offences within the past ten years other than traffic offences, if any.

Corporate Governance Statement

INTRODUCTION

The Board of Directors (**"Board"**) of Smartag Solutions Berhad (**"the Company"**) takes cognizance of the Principles and Recommendations prescribed in the Malaysian Code of Corporate Governance 2012 (**"MCCG 2012"** or the **"Code"**) issued by the Securities Commission Malaysia.

The Board is committed to ensuring that the Principles and Recommendations of the Code are observed and practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

In preparing this report, the Board has considered the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Recommendations of the Code. The Board is of the opinion that the Group has applied the Principles and complied with the Recommendations set out in MCCG 2012 throughout the financial year ended 30 September 2013.

This statement outlines the Group's main corporate governance practices and policies in alignment with the recommended principles of MCCG 2012 as below:

- Clear Roles and Responsibilities
- Strengthen composition
- Reinforce independence
- Foster commitment
- Uphold integrity in financial reporting
- Recognise and manage risks
- Ensure timely and high quality disclosure
- Strengthen relationship between company and shareholders

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 leadership of 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.

To ensure effective discharge of the function and responsibilities, the Board of Directors has delegated some of its authorities and discretion to the Chief Executive Officer ("CEO") to achieve the corporate objective on the daily running of the business and implementation of the Board's policies and objective. The CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group.

The Board monitors the decisions and actions of the CEO, and the performance of the Group to gain assurance that progress is being made towards the corporate objective.

Corporate Governance Statement
cont'd

CLEAR ROLES AND RESPONSIBILITIES (continued)

Board Role and Responsibilities

The Board is primarily responsible for charting and reviewing the strategic direction of the Group. The Boards 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;
- 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; and
- Overseeing the development and implementation of shareholder communications policy.

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 Management 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.

There is a clear division of responsibilities reserved for the Board and those delegeted to the management. 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.

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.

Corporate Governance Statement
cont'd

CLEAR ROLES AND RESPONSIBILITIES (continued)

Nominating Committee

The Nominating Committee comprises four (4) Non-Executive Directors as follows:-

	Directors	Number of Meetings attended during the current financial year	Percentage of Attendance (%)
Chairman:	Dr. Lim Boh Soon *(Independent Non-Executive Director)*	3/3	100
Members:	Dato' Ngiam Foon *(Senior Independent Non-Executive Director)*	3/3	100
	Dato' Seri Chia Kwang Chye *(Independent Non-Executive Director)*	3/3	100
	Datuk Amar Abdul Hamed bin Sepawi *(Non-Independent Non-Executive Chairman)* *(resigned from the Committee on 18 January 2013)*	0/1	-
	Dato' Sri Hj Mohamad Khalid bin Yusuf @ Yusup *(Non-Independent Non-Executive Director)* *(appointed to the Committee on 18 January 2013)*	2/2	100

The Nomination 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 Nomination 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 Nomination 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 Nomination Committee also ensures that the Board has an appropriate balance of expertise and ability. For this purpose, the Committee regularly reviews the profile of the required skills and attributes. This profile is used to assess the suitability as Executive or Non-Executive Directors of candidates put forward by the Directors and external consultants. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual Director including Independent Non-Executive Director. All assessments and evaluations carried out by the Nomination Committee in discharging its functions have been well documented.

Corporate Governance Statement
cont'd

CLEAR ROLES AND RESPONSIBILITIES (continued)

Remuneration Committee

The Remuneration Committee comprises four (4) Non-Executive Directors as follows:

	Directors	Number of Meetings attended during the current financial year	Percentage of Attendance (%)
Chairman:	Dato' Seri Chia Kwang Chye *(Independent Non-Executive Director)*	2/2	100
Members:	Datuk Amar Abdul Hamed bin Sepawi *(Non-Independent Non-Executive Chairman)*	1/2	50
	Dato' Ngiam Foon *(Senior Independent Non-Executive Director)*	2/2	100
	Dr. Lim Boh Soon *(Independent Non-Executive Director)*	2/2	100

The Remuneration Committee recommends to the Board the remuneration framework for Executive Directors and Non-Executive Directors. Directors' fees are subject to shareholders' approval. Additional allowances are paid to Non-Executive Directors in accordance with number of meetings attended during the financial year.

Audit & Risk Management Committee

The Audit & Risk Management Committee comprises four (4) Non-Executive Directors as follows:

	Directors	Number of Meetings attended during the current financial year	Percentage of Attendance (%)
Chairman:	Dato' Ngiam Foon *(Senior Independent Non-Executive Director)*	8/8	100
Members:	Dato' Seri Chia Kwang Chye *(Independent Non-Executive Director)*	5/8	63
	Dr. Lim Boh Soon *(Independent Non-Executive Director)*	8/8	100
	Dato' Sri Hj Mohamad Khalid bin Yusuf @ Yusup *(Non-Independent Non-Executive Director)* *(appointed on 22 January 2013)*	4/4	100

The Audit & Risk Management Committee'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 External Auditors, Chief Executive Officer, Chief Financial Officer and members of Senior Management attend the meetings at the invitation of the Audit & Risk Management Committee.

Corporate Governance Statement
cont'd

CLEAR ROLES AND RESPONSIBILITIES (continued)

Board Meetings

During the financial year ended 30 September 2013, the Board met nine (9) times, where they deliberated and considered matters relating to the Group's financial performance, investments, corporate development, strategic issues and business plan and annual budgets. During the Board meetings, the Directors also review and approve all major corporate announcements, including the announcement of the quarterly financial results prior to releasing them to Bursa Malaysia Securities Berhad (**"Bursa Securities"**). All pertinent issues discussed at the meetings in arriving at the decisions and conclusions are properly recorded.

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

Directors	Number of Board Meetings attended during the current financial year	Percentage of Attendance (%)
Datuk Amar Abdul Hamed Bin Sepawi	8/9	89
Dato' Ngiam Foon	9/9	100
Dato' Seri Chia Kwang Chye	6/9	67
Dr. Lim Boh Soon	9/9	100
Mr. Lim Peng Keong *(resigned on 22 April 2013)*	3/6	50
Mr. Choong Huck Liang *(resigned on 1 August 2013)*	7/8	88
Dato' Sri Hj Mohamed Khalid bin Yusuf @ Yusup *(appointed on 26 December 2012)*	7/7	100

Strategies promoting sustainability

The Board is mindful of the importance of building a sustainable business and takes into consideration environmental, social and governance ("ESG") impact when developing the corporate strategy. The Company's activities on ESG for the year under review are disclosed on page 33.

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. All proceedings of Board meetings are minuted and signed by the Chairman of 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, changes to management 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.

Corporate Governance Statement
cont'd

CLEAR ROLES AND RESPONSIBILITIES (continued)

Qualified and Competent Company Secretary

The Board has ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary supports the Board in managing the Group's governance model, ensuring it is effective and relevant. The Company Secretary also ensures that deliberations at the Board meetings are properly minuted. The Company Secretary keeps the Directors and principal officers informed of the closed period for the trading in the Company's Shares.

Directors' Code of Ethics

The Board recognizes the importance of adherence to the Code of Ethics by all personnel in the Group and will take measures to put in place a process to ensure compliance. The Board is in the process of developing the Code of Ethics and will upload the Code of Ethics on the Company's website in due course.

Board Charter

The Board is in the process of developing the Board Charter in accordance to the Company's restructuring process. The Board Charter will be uploaded to the Company's website upon completion.

STRENGTHEN COMPOSITION

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

The Nomination Committee is headed by Dr. Lim Boh Soon, the Independent Non-Executive Director. All the members are Independent Non-Executive Directors.

The Nomination Committee reviews the composition of the Board annually and makes recommendation accordingly, ensuring the current and future needs of the Group are met. The Committee is satisfied with the current size of the Board and with the required mix of skills, knowledge, expertise, experience and other qualities.

Appointment to the Board and Re-election

In accordance with the Company's Articles of Association (**"Articles"**), all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election at each Annual General Meeting (**"AGM"**).

A Director who is over seventy (70) years old is required to submit himself or herself for re-appointment annually in accordance with section 129 (6) of the Companies Act, 1965.

Gender Diversity

The Board does not have any gender diversity policy and targets or any set measures to meet any target. Nevertheless, all appointments and employments are based strictly on merits and are not driven by any racial or gender bias.

The Remuneration Committee is headed by Dato' Seri Chia Kwang Chye, the Independent Non-Executive Director. All the members are Independent Non-Executive Directors.

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.

Corporate Governance Statement
cont'd

STRENGTHEN COMPOSITION (continued)

Directors' Remuneration

- **Remuneration procedure**

The Company has adopted recommendations 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 of Directors.

The remuneration of the Directors for the financial year ended 30 September 2013 is as follows:

	Salaries	Allowances	Fee	Others	Total
	RM	RM	RM	RM	RM
Executive Directors	475,000	-	-	57,981	532,981
Non-Executive Directors	-	-	192,000	-	192,000

The number of Directors in each remuneration band for the financial year ended 30 September 2013 is as follows:

Range	Executive	Non-executive
Below RM50,000	-	4
RM200,001 - RM250,000	2	-

The band disclosure made above is in compliance with the Appendix 9C of the ACE Market Listing Requirements of Bursa Securities (**"Listing Requirements"**).

REINFORCE INDEPENDENCE

The Board performs 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 potential 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.

Dato' Ngiam Foon, Dato' Seri Chia Kwang Chye and Dr Lim Boh Soon are the Independent Directors of the Company. The Independent Directors fulfill the criteria of "Independence" as prescribed under Chapter 1 of the Listing Requirements. The Board composition complies with the ACE Market Listing Requirements which requires at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, to be Independent Directors.

In line with the MCCG 2012, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board may recommend for an Independent Director who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to shareholders' approval.

Corporate Governance Statement
cont'd

REINFORCE INDEPENDENCE (continued)

Separation of positions of the Chairman and Chief Executive Officer ("CEO")

There is a clear division of responsibility between the Chairman and CEO to ensure that there is a balance of power and authority and this further enhances the independence of the Board. The Chairman is responsible for the leadership and governance of the Board in the oversight of the management and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. CEO is responsible for implementing the Board's policies and decisions as well as developing, coordinating and implementing business and corporate strategies apart from its day-to-day management of the business.

Board Composition and Balance

The Board consists of five (5) members comprising two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The Board has more than one-third (1/3) Independent Directors as its members. A brief profile of each Director is presented in the Board of Director's profile contained in page 7 to 9 in this Annual Report.

The Board has an appropriate mix of relevant skills, knowledge and experience necessary to govern the Company. The Board is satisfied that the current composition of Directors provides balance and size necessary to promote all shareholders' interests and govern the Company effectively.

FOSTER COMMITMENT

All the Non-Executive Directors have committed sufficient time to carry out their duties during the tenure of their appointments, whether as members of standing Board Committees or whether required to carry out special duties as members of ad hoc Board Committees.

The Board meets on a quarterly basis and additionally as required. The general agenda of the meeting, includes discussion over minutes of previous meetings, quarterly financial results of the Group and any other issues requiring the Board's deliberation and approval. The proceeding and resolutions reached at each Board meeting are minuted and signed by the Chairman of the meeting.

Besides Board meetings, the Board exercises control on matters that require Board deliberation and approval through circulation of Directors' Resolutions.

The Board held nine (9) meetings during the financial year to control and monitor the development of the Group.

The Board members are required to notify the Board's Chairman prior to their acceptance of new directorships in other companies notwithstanding that the Listing Requirements allow a Director to sit on the Board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Continuous Professional Development

As an integral element of the process of appointing new Directors, the Nomination 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 have successfully completed the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

The Directors will continue to undergo other relevant training programmes to keep themselves abreast with the relevant changes in laws, regulations and business development.

Corporate Governance Statement
cont'd

FOSTER COMMITMENT (continued)

Directors' Continuous Professional Development (continued)

The Board also continually assess the training needs of the Directors. During the year 2013, the Directors had attended the following training programmes:

Directors	Title of Seminar/Course
Datuk Amar Abdul Hamed bin Sepawi Dato' Ngiam Foon Dato' Seri Chia Kwang Chye Dr. Lim Boh Soon Dato' Sri Haji Mohamed Khalid bin Yusuf @ Yusup	Elements of Statement of Risk Management
Dr. Lim Boh Soon Dato' Sri Haji Mohamed Khalid bin Yusuf @ Yusup	Financial Statement Preparation Analysis

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 (**"MFRS"**) and Listing Requirements. Thus, a balanced and meaningful assessment of the Group's financial performance and prospects are presented primarily through the financial statements and the Chairman's Statement 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 Groups' 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 Group's Internal Audit provides independent and objective assurance of the adequacy and integrity of the system of internal control. 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 and Internal Control as set out in pages 27 to 29 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 Audit & Risk Management Committee.

Corporate Governance Statement
cont'd

RECOGNISE AND MANAGE RISKS

The Group has an embedded process for the identification, evaluation, reporting, treatment, monitoring and review of major strategic, business and operation risks within the Group. Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and regulations.

The Board has outsourced its Internal Audit Function reporting to the Audit & Risk Management Committee to conduct independent audits on all the departments and offices within the Group and reports the findings to the Audit & Risk Management Committee quarterly.

The Audit & Risk Management Committee reviews, deliberates and decides on the next course of actions and evaluates the effectiveness and efficiency of the internal control systems.

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 Group'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 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.

Shareholders and other interested parties may contact the Chief Financial Officer, to address any concerns by writing or via telephone as follows:-

Tel: +603-8319 4088 Email: ir@smartag.my
Postal Address: 4808-1-26, CBD Perdana 2, Persiaran Perdana, 63000 Cyberjaya Selangor, Malaysia.
Website: http://www.smartag.my

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Group welcomes dialogues with shareholders and investors to discuss issues and obtain feedback. The Non-Independent Non-Executive Chairman, Chief Executive Officer and Senior Management personnel participate in discussions with shareholders to ensure they are given as accurate and fair representation of the Group's performance and position.

Dialogues and discussions with investors and analysts are conducted within the framework of the relevant Corporate Disclosure Guidelines under the Listing Requirements.

The Board fully recognizes the rights of shareholders and encourages them to exercise their rights at the Company's AGM. The date, venue and time of these meetings are determined to provide opportunity to as many shareholders as possible to attend personally.

Corporate Governance Statement
cont'd

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (continued)

The Notice of Meeting of the AGM is sent to shareholders at least 21 days ahead of the meeting date together with the Financial Statements and agenda for the meeting with a memorandum providing information to shareholders to assist them in deciding on how they should vote on each item of the business. In addition, Directors' Report and Audited Financial Statements, the Annual Report, Interim Financial Statements together with the Company's announcements and other information about the Group are available on our website (http://www.smartag.my). It is also advertised in a major local newspaper.

The shareholders were informed of their right to demand for poll at the onset of the AGM.

Effective Communication and Proactive Engagement

The Company recognises the importance of communicating with its shareholders and does this through annual reports, AGMs and the Company's website. The Company is maintaining an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Company's performance and position as possible.

During the AGM, the Chairman also provides shareholders with a brief review of the Group's operations for the financial year and overview of the current year performance.

The key element of the Company's dialogue with its shareholders at the AGM is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Company. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed and about the Group's operations in general.

Audit & Risk Management Committee Report

The Audit Committee was established with the objective of assisting the Board of Directors ("Board") in the areas of corporate governance, risk management and financial reporting. On 15 November 2013, the Board approved the re-naming of the Audit Committee to Audit & Risk Management Committee ("ARMC") to better reflect the roles which are currently undertaken by this committee.

Composition

The Audit & Risk Management Committee comprises the following four (4) members of the Board, majority of whom are Independent Non-Executive Directors:-

Chairman: **Dato' Ngiam Foon**
(Senior Independent Non-Executive Director)

Members: **Dato' Seri Chia Kwang Chye**
(Independent Non-Executive Director)

Dr. Lim Boh Soon
(Independent Non-Executive Director)

Dato' Sri Hj Mohamad Khalid bin Yusuf @Yusup
(Non-Independent Non-Executive Director)
(appointed on 22 January 2013)

Secretary

The Company Secretary of Smartag acts as the Secretary to the Audit & Risk Management Committee.

Meetings

The ARMC met eight (8) times during the financial year ended 30 September 2013 and details of attendance of the ARMC members are as follows:

	Directors	Number of Meetings attended during the current financial year	Percentage of Attendance (%)
Chairman:	Dato' Ngiam Foon *(Senior Independent Non-Executive Director)*	8/8	100
Members:	Dato' Seri Chia Kwang Chye *(Independent Non-Executive Director)*	5/8	63
	Dr. Lim Boh Soon *(Independent Non-Executive Director)*	8/8	100
	Dato' Sri Hj Mohamad Khalid bin Yusuf @Yusup *(Non-Independent Non-Executive Director)* *(appointed on 22 January 2013)*	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 Committee 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.

Some members of the Senior Management team, i.e. the Chief Executive Officer and the Chief Financial Officer were also invited to attend these meetings to brief the members on specific matters.

Audit & Risk Management Committee Report
cont'd

Terms of Reference

The ARMC is guided by the following Terms of Reference in discharging its duties:

1. Objectives

The ARMC shall assist the Board of Smartag in:

i) overseeing the financial reporting and complying with the applicable Financial Reporting standards, the provisions of the Companies Act, 1965 and disclosure requirements administered by relevant accounting bodies, Bursa Malaysia Securities Berhad (**"Bursa Securities"**), Companies Commission of Malaysia and any other laws and regulations as amended from time to time; and

ii) assessing the internal and external audit processes including issues pertaining to the system of internal control and risk management within the Group.

2. Composition

The ARMC Committee is to be appointed by the Board from among themselves as follows:

i) a minimum of three (3) members none of whom shall be Executive Directors;

ii) a majority shall be Independent Non-Executive Directors;

iii) all members must be financially literate and at least one (1) member of the ARMC:-

(a) must be a member of Malaysian Institute of Accountants; or

(b) if the person is not a member of Malaysian Institute of Accountants, the person must have at least three (3) years' working experience and the person –

(aa) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1976; or

(bb) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

(c) who fulfils such other requirements as prescribed or approved by Bursa Securities;

iv) all members shall hold office only for so long as they serve as directors of the Company;

v) no alternate director shall be appointed as a member;

vi) in any event of any vacancies resulting in non compliance of the minimum of three (3) members, the Board shall upon the recommendation of the Nomination Committee, appoint such number of directors to fulfill such vacancy within three (3) months of the event;

vii) the term of office and performance of the ARMC shall be reviewed by the Board at least once in every three (3) years to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference.

Audit & Risk Management Committee Report
cont'd

3. Duties and functions

In discharging its duties, the ARMC shall undertake the following:

i) consider the appointment of the external auditor, the audit fee and review any letter of resignation and reason for resignation or dismissal for recommendation to the Board;

ii) review with the external auditor before the audit commences, the audit plan, areas and scope of the audit and ensure co-ordination where more than one audit firm is involved;

iii) review with the external auditor, their evaluation of the system of internal controls and audit findings;

iv) review the quarterly and year-end financial statements of the Company and Group and thereafter recommend them to the Board for approval, focusing particularly on:-

- any changes in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption;
- compliance with the applicable Financial Reporting Standards and other legal requirements;
- significant and unusual events;

v) review and report the assistance given by the Company's or Group's officers to the external auditors and the overall conduct of the audit;

vi) review the audit report with the external auditors;

vii) discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of Management where necessary);

viii) review the external auditor's Management Letter and Management's response;

ix) appoint internal auditors who will report functionally directly to the ARMC and review their performance on an annual basis. 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;

x) review the following of the internal audit function:

- the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- ensure the internal audit function is independent of the activities it audits;
- the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and where necessary, ensure that appropriate action is taken by Management on the recommendations of the internal audit function;

xi) consider any related party transactions and conflict of interest that may arise within the Company or Group;

xii) consider the major findings of internal investigations and management's response; and

xiii) consider any other areas as defined by the Board.

The Chairman of the ARMC shall engage on a continuous basis with Senior Management, such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

Audit & Risk Management Committee Report
cont'd

4. Meeting Procedures and Quorum

i) The ARMC shall meet at least four (4) times a year and such additional meetings, as the Chairman shall decide in order to fulfill its duties.

ii) At least once annually, the ARMC shall meet with the external auditors, without executive Board members and employees present.

iii) The Chairman may call a meeting of the ARMC if a request is made by any ARMC member or the Board, or the internal or external auditors.

iv) The Company Secretary who acts as Secretary of the ARMC shall circulate the minutes of each meeting to all members of the Board.

v) A quorum shall be two (2) members, majority of whom must be independent directors.

5. Authority

i) The ARMC is authorised by the Board to review any activity of the Company and of the Group within its Terms of Reference. It is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the ARMC.

ii) The ARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Summary of Activities

The ARMC carried out the following activities during the financial year ended 30 September 2013:

- Reviewed the quarterly and year-to-date financial results of the Group and the relevant announcements to Bursa Securities;
- Reviewed the annual audited financial statements of the Group prior to submission to the Board for approval;
- Reviewed external auditor's reports and their audit findings;
- Reviewed the Internal Audit Plan and Programmes, including the audit methodology with focus on adequacy of scope and coverage;
- Reviewed and deliberated on the internal auditor's reports and the audit findings and recommendations;
- Reviewed the implementation of these recommendations through follow-up reports;
- Reviewed the results of ad-hoc investigations on internal misconduct and special review on risk management framework and the risk mitigation procedures and processes;
- Reviewed with the external auditors and discussed the overall annual Audit Plan, nature and scope of the audit and the impact of new or proposed changes in accounting standards and regulatory requirements;
- Conducted meetings with the external auditors without the presence of the Executive Directors and Management of the Company; and
- Reviewed and deliberated on the significant risk areas, internal control and financial matters coming to the attention of the external auditors in the course of their work.

Audit & Risk Management Committee Report
cont'd

Internal Audit Function

The Internal Audit function is outsourced to an internal auditing firm. 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 year, the Internal Auditors carried out its activities and performed assignments based on the annual Audit Plan approved by the ARMC. The main activities and assignments undertaken during the financial year ended 30 September 2013 include:

i) Conducted operational reviews on selected key business areas and processes of the Group;

ii) Evaluating key strategic and crisis risks and reviewing the risk management framework and processes;

iii) Conducted follow-up reviews on audit recommendations raised in previous audit reports to ensure the recommendations are implemented accordingly with the necessary corrective and preventive actions; and

iv) Conducted ad-hoc investigations and special reviews at the request of ARMC on areas of operational misconduct.

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 Auditors functions of the Group for the financial year ended 30 September 2013 amounted to RM33,000.00.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is committed to the establishment and maintenance of a sound risk management framework and internal control systems, and reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets.

Pursuant to the Listing Requirements, the Board is required to include in its Company's Annual Report a statement about the state of its internal control. The revised Malaysian Code on Corporate Governance 2012 requires all listed companies to establish and maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the company's assets.

Accordingly, the Board is pleased to present the Statement on Risk Management and Internal Control (**"Statement"**) that was prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Issuers" issued by Bursa Securities which outlines the processes to be adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management framework and internal control system. Due to the limitations that are inherent in any system of internal control, it should be noted that such systems are designed to provide reasonable combination of preventive, detective and corrective measures but not absolute, assurance against material misstatement or loss.

The Group's risk management and internal control framework is an ongoing process, and has been in place for identifying, evaluating and managing significant risks that faced or potentially to be encountered by the Group. The Board regularly reviews the process.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's internal control system is operating adequately and effectively, in all material aspects.

RISK MANAGEMENT FRAMEWORK

The Group takes cognizance of the importance of a sound Risk Management framework to be in place as a principal safeguard towards controlling risks. Accordingly, the Group has an embedded process for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group.

The Board and the Management practice proactive identification of significant risks on a quarterly basis or earlier as appropriate, particularly if there are any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks. Accordingly, the Board would put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board. This is further supported by the Internal Audit function and the operation staff from the various divisions to effectively inculcate risk management practices and controls into the corporate culture, processes and structures within the Group.

Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and regulations, and are made available to all employees. The Group also adopted a whistle blowing policy, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

Statement on Risk Management and Internal Control
cont'd

RISK MANAGEMENT FRAMEWORK (continued)

The Risk Management process is effected through the following mechanisms and measures, by which the Board obtains timely and accurate information of all major control issues in relation to the internal controls, regulatory compliance and risks:-

- **Internal Audit Function**

  The Board acknowledges the importance of Internal Audit function and has engaged the services of an independent professional accounting and consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

  The Internal Audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the independent auditors based on the audit plan presented to, and approved by, the Audit & Risk Management Committee. The audit focuses on key business areas with high risk and inadequate controls to ensure that an adequate action plan has been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a regular basis or earlier as appropriate, the Internal Auditors report to the Audit & Risk Management Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

- **Financial Performance Planning, Review and Tracking**

  The CEO and the Management will formulate the yearly business plan and annual budgets for the consideration of the Board. The business plan will set out the business objectives, strategies and targets while budgeted data are used to monitor the performance on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.

  The Group has put in place a comprehensive business planning and detailed budgeting process where budgets prepared by the operating units for the coming year are approved both at operating units level and by the Board. The management will undertake monthly monitoring of actual results against the budgeted results, with major variances being followed up and action taken, where necessary.

  Regular periodic meetings of the Board, Board Committees and Senior Management represent the main platform through which the Group's performance and conduct is assessed and monitored. The daily operations of the business are entrusted to the CEO and his management team.

- **Operational Monitoring and Controls**

  The Group ensures that regular and comprehensive information is provided to the Management, covering financial and operational performance and key business indicators, for effective monitoring and decision making. This is supplemented by regular visits to operating units by members of the Board and Senior Management.

  The Board also ensures that all recurrent related party transactions are dealt in accordance with the Listing Requirements. These recurrent related party transactions are subject to review by the Audit & Risk Management Committee and the Board at their respective meetings.

Statement on Risk Management and Internal Control
cont'd

RISK MANAGEMENT FRAMEWORK (continued)

- **Control Environment**

  The Board is committed towards maintaining a strong control structure and environment for the proper conduct of the Group's business operations and towards achieving a sound system of internal control. The control processes in place are as follows:

  ◊ Job functions for the Management and employees in the Group are clearly defined to provide well-defined roles and responsibilities for the enhancement of the Group's performance'

  ◊ Significant projects proposed by the Management are subject to formal review and authorisation procedures by the Board; and

  ◊ All employees are encouraged to improve themselves through adequate training and continuous education.

INTERNAL CONTROL STRUCTURE

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, and managing significant risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the Group are updated and reviewed from time to time to suit the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of approval of this statement for inclusion in the Annual Report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

The Board maintains ultimate responsibility over the Group's systems of internal controls which has been delegated to the Management for effective implementation. The role of Internal Audit is to provide reasonable assurance that the designed controls are in place and are operating as intended.

The Group has put in place the following to support the control structure and process:-

- **Organisation Structure**

  The organisation structure is well-defined with scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority. There is a process of hierarchical reporting which provides for a documented and auditable trail of accountability.

- **Group Policies and Procedures**

  The Group has in place procedures and controls to ensure regular and comprehensive information is provided to the Management, covering financial and operational performance and key business indicators, for effective monitoring and decision making. Delegation of authorities including authorisation limits are clearly defined to ensure accountability and responsibility.

  These policies and procedures are reviewed on a regular basis in tandem with new developments for relevance.

Based on the Internal Auditors' report for the financial year ended 30 September 2013, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

Directors' Responsibility Statement

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 year 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, 1965 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, 1965. 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.

Additional Compliance Information

1.0 Utilisation of Proceeds

The utilisation of proceeds raised from the public issue as disclosed in the Company's Prospectus dated 28 March 2011 ("Prospectus") that was issued in conjunction with the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 18 April 2011 is as set out in the table below ("IPO"). The Company has raised a total proceeds of approximately RM17.67 million from the IPO ("IPO Proceeds").

The Company had on 10 December 2012 announced to Bursa Securities that the Board of Directors had approved the following:-

(a) Revise part of the IPO Proceeds amounting to RM1.41 million allocated for research and development ("R&D") related capital expenditure to (i) R&D expenditure; and (ii) working capital ("Revision"); and

(b) Extend the timeframe for the utilisation of the remaining unutilised IPO Proceeds in the manner set out in the table below ("Extension").

Details on the status of utilisation of the IPO Proceeds as at 30 September 2013 are as follows:-

Details of Utilisation	Proposed Utilisation as Disclosed in the Prospectus (RM'000)	Revision (RM'000)	Actual Utilisation as at 30.09.2013 (RM'000)	Balance Unutilised as at 30.09.2013 (RM'000)	Initial Timeframe for Utilisation of IPO Proceeds from Date of Listing	Extension of timeframe for Utilisation of IPO Proceeds from Date of Listing
Project Related Capital Expenditure	8,835	-	8,835	-	Within 3 years (i.e. until 17.04.2014)	-
R&D Expenditure & R&D Related Capital Expenditure						
• R&D Expenditure	1,330	600	1,930	-	Within 2 years (i.e. until 17.04.2013)	Within 3 years (i.e. until 17.04.2014)
• R&D Related Capital Expenditure	2,027	(1,412)	517	98	Within 2 years (i.e. until 17.04.2013)	Within 3 years (i.e. until 17.04.2014)
	3,357	(812)	2,447	98		
Working capital	3,534	851	4,385	-	Within 2 years (i.e. until 17.04.2013)	Within 3 years (i.e. until 17.04.2014)
Estimated listing expenses	1,944	(39) *	1,905	-	Within 6 months (i.e. until 17.10.2012)	-
Total Proceeds	**17,670**	**-**	**17,572**	**98**		

Note: ** In view that the actual listing expenses were lower than estimated, the excess was utilized for working capital purposes.*

Additional Compliance Information
cont'd

2.0 Share Buy-back

There was no share buy-back during the financial year ended 30 September 2013.

3.0 Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities in issue during the financial year ended 30 September 2013.

4.0 Employees Share Option Scheme

Not applicable.

5.0 Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year ended 30 September 2013.

6.0 Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

7.0 Non-Audit Fees

There were no non-audit fees paid to the Group's external auditors during the financial year.

8.0 Variation of Results

There is no material deviation between the results for the financial year ended 30 September 2013 and the unaudited results previously announced.

There was no profit estimate, forecast or projection released by the Company for the financial year.

9.0 Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 30 September 2013.

10.0 Material Contracts

During the financial year, there were no material contracts entered into by the Group involving its Directors' and major shareholders' interest.

11.0 Revaluation Policy on Landed Properties

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

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

There were no RRPT conducted during the financial year ended 30 September 2013.

Corporate Social Responsibility

The Group recognizes that its business operations have direct and indirect impact on the communities and environment and therefore the Group is committed to adopt Corporate Social Responsibility (CSR) practices and to make it an integral part of the way the Group functions as a business.

Workplace

The Group provides its employees a quality working environment which and also provide continuous professional development and training to enhance their skills and abilities allowing them to excel in their career.

Environment

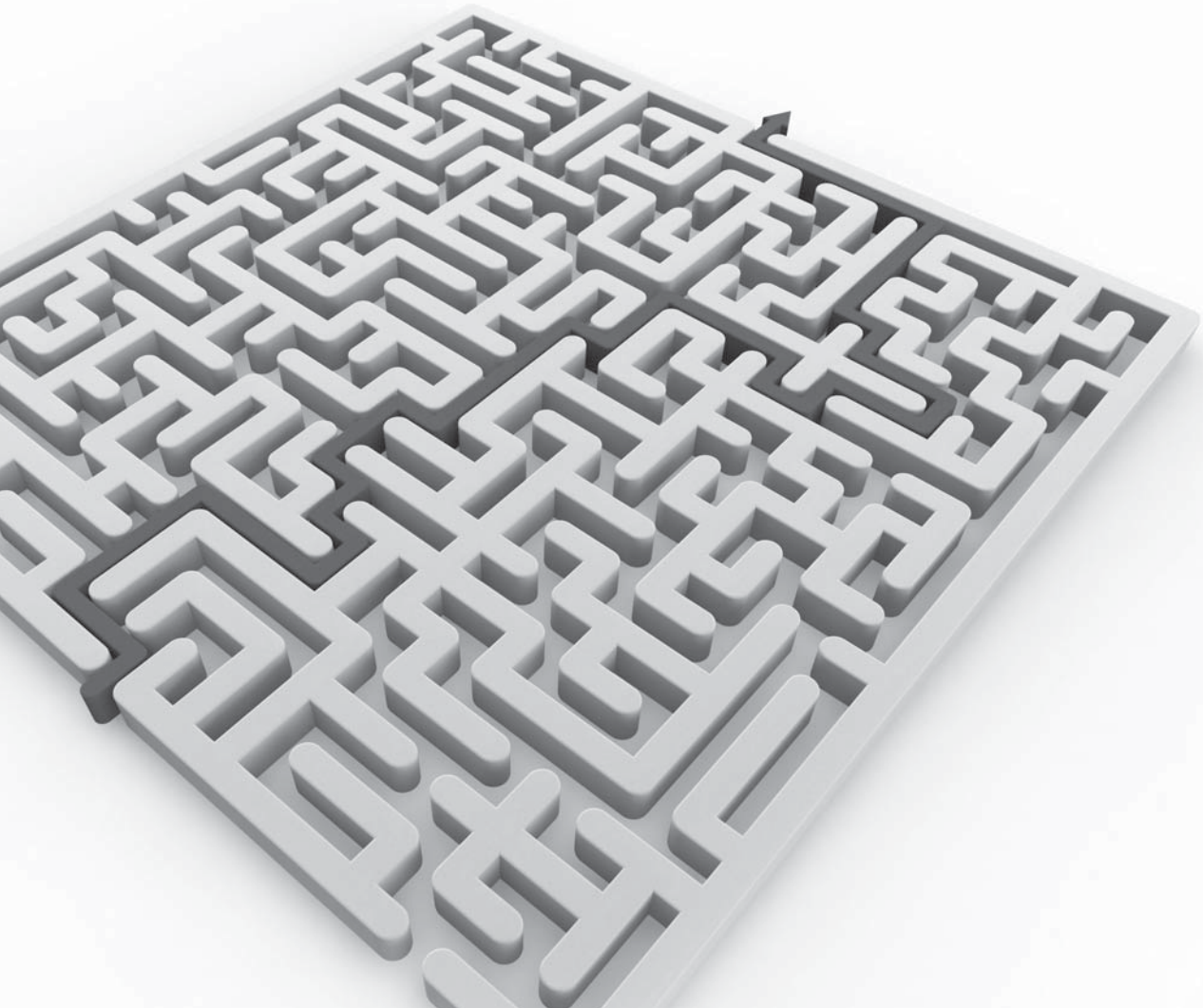
(i) Staff are encouraged to operate in a paperless environment by maximizing the benefits of technology such as email, instant messaging, softcopy archiving, etc and only print hard copy when necessary. Furthermore , in line with the aim of lowering carbon foot prints, the Company's annual report will be available in softcopy.

(ii) Staff are encouraged to print on both sides of papers and to recycle unwanted papers and recyclable items.

(ii) Being in the information technology business the Group recognises its high energy usage from computer, servers and other related equipments, therefore reducing energy usage through the use of energy efficient electrical equipment and turning off electrical usage are practised throughout the Group.

FINANCIAL STATEMENTS

Directors' Report	35
Financial Statements	
Statements of Financial Position	39
Statements of Comprehensive Income	41
Statements of Changes in Equity	42
Statements of Cash Flows	45
Notes to the Financial Statements	47
Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses	93
Statement by Directors	94
Statutory Declaration	94
Independent Auditor's Report	95



Directors' Report

The directors hereby submit their report together with the audited financial statements of Smartag Solutions Berhad ("the Company") and its subsidiary companies ("the Group") for the financial year ended 30th September 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the distribution, research, design and deployment of radio frequency identity tags and other tagging solutions using broadband networks and provision of training, instrumentation, systems integration, maintenance and consultancy services. The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Net loss for the financial year	(17,135,260)	(16,752,628)
Other comprehensive income, net of tax	(40,729)	-
Total comprehensive loss for the financial year	(17,175,989)	(16,752,628)
Net loss for the financial year attributable to:		
Owners of the Company	(17,109,587)	(16,752,628)
Non-controlling interest	(25,673)	-
	(17,135,260)	(16,752,628)
Total comprehensive loss for the financial year attributable to:		
Owners of the Company	(17,150,316)	(16,752,628)
Non-controlling interest	(25,673)	-
	(17,175,989)	(16,752,628)

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 30th September 2013.

RESERVES AND PROVISIONS

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

Directors' Report
cont'd

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment on receivables, and had satisfied themselves that all known bad debts had been written off and adequate allowance for impairment had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that have arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group and of the Company that have arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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 of the Group and of the Company that would render any amount stated in the financial statements misleading.

Directors' Report
cont'd

ITEMS OF AN UNUSUAL NATURE

The results of the operation of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

DIRECTORS

The directors in office since the date of the last report are:-

Datuk Abdul Hamed Bin Sepawi
Dato' Seri Chia Kwang Chye
Dato' Ngiam Foon
Dr. Lim Boh Soon
Dato' Sri Hj Mohamed Khalid bin Yusuf @ Yusup - Appointed on 26.12.2012
Lim Peng Keong - Resigned on 22.04.2013
Choong Huck Liang - Resigned on 01.08.2013

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares of the Company during the financial year ended 30th September 2013 are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 01.10.2012	Bought	Sold	At 30.09.2013
The Company				
Direct Interest				
Datuk Abdul Hamed Bin Sepawi	51,000,000	-	-	51,000,000
Dr. Lim Boh Soon	100,000	-	-	100,000
Dato' Ngiam Foon	100,000	-	-	100,000
Dato' Sri Hj Mohamed Khalid bin Yusuf @ Yusup	-	50,000	-	50,000

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in the shares of the Company and its related corporations during the financial year.

Directors' Report
cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) 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.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

DATUK ABDUL HAMED BIN SEPAWI
Director

DATO' SRI HJ MOHAMED KHALID BIN YUSUF @ YUSUP
Director

Kuala Lumpur

Date: 15th January 2014

Statements of Financial Position
as at 30th September 2013

	Note	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Group				
ASSETS				
Non-current assets				
Property, plant and equipment	4	13,209,571	21,090,934	14,297,760
Investment in a jointly controlled entity	6	4,995,339	5,002,149	5,000,666
Goodwill on consolidation	7	-	-	-
Intangible assets	8	2,174,097	6,087,914	4,939,917
Other investment	9	81,438	-	-
Total non-current assets		20,460,445	32,180,997	24,238,343
Current assets				
Inventories	10	427,616	238,843	44,937
Trade receivables	11	809,337	205,749	110,244
Other receivables, deposits and prepayments	11	157,017	268,968	255,600
Tax recoverable		1,182	340	889
Fixed deposits placed with licensed banks	11, 13	2,019,379	8,042,514	12,971,293
Cash and bank balances	11, 13	928,262	678,679	6,679,873
Total current assets		4,342,793	9,435,093	20,062,836
TOTAL ASSETS		24,803,238	41,616,090	44,301,179
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	14	22,700,000	22,700,000	22,700,000
(Accumulated loss)/retained profits	15	(9,833,054)	7,276,533	9,970,150
Other reserves	16	11,262,703	11,303,432	11,285,746
Shareholders' funds		24,129,649	41,279,965	43,955,896
Non-controlling interests		(48,351)	(22,678)	(18,898)
Total equity		24,081,298	41,257,287	43,936,998
Current liabilities				
Trade payables	17	194,755	39,931	39,931
Other payables and accruals	17	527,185	318,872	324,250
Total liabilities		721,940	358,803	364,181
TOTAL EQUITY AND LIABILITIES		24,803,238	41,616,090	44,301,179

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

Statements of Financial Position
as at 30th September 2013
cont'd

	Note	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Company				
ASSETS				
Non-current assets				
Property, plant and equipment	4	13,208,156	21,081,629	14,280,450
Investment in subsidiary companies	5	-	-	-
Investment in a jointly controlled entity	6	5,015,000	5,015,000	5,015,000
Intangible assets	8	2,174,097	6,087,914	4,939,917
Total non-current assets		20,397,253	32,184,543	24,235,367
Current assets				
Inventories	10	427,616	238,843	44,937
Trade receivables	11	809,337	205,749	110,244
Other receivables, deposits and prepayments	11	157,017	268,968	253,600
Amount owing by subsidiary companies	12	780,506	-	-
Tax recoverable		1,182	340	889
Fixed deposits placed with licensed banks	11, 13	2,019,379	8,042,514	12,971,293
Cash and bank balances	11, 13	627,044	673,616	6,654,387
Total current assets		4,822,081	9,430,030	20,035,350
TOTAL ASSETS		25,219,334	41,614,573	44,270,717
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	14	22,700,000	22,700,000	22,700,000
(Accumulated loss)/retained profits	15	(9,448,695)	7,303,933	9,967,282
Other reserves	16	11,257,715	11,257,715	11,257,715
Shareholders' funds		24,509,020	41,261,648	43,924,997
Current liabilities				
Trade payables	17	193,969	39,145	39,145
Other payables and accruals	17	516,345	313,780	306,575
Total liabilities		710,314	352,925	345,720
TOTAL EQUITY AND LIABILITIES		25,219,334	41,614,573	44,270,717

Statements of Comprehensive Income

for the Financial Year Ended 30th September 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Group					
Revenue	18	1,157,822	1,341,212	1,157,822	1,341,212
Cost of sales		(3,246,243)	(351,460)	(3,246,243)	(351,460)
Gross (loss)/profit		(2,088,421)	989,752	(2,088,421)	989,752
Other income		218,349	468,473	218,349	468,473
Selling and distribution expenses		(622,966)	(640,434)	(622,965)	(640,434)
Administrative expenses		(14,635,412)	(3,516,671)	(14,259,591)	(3,481,140)
Finance cost		-	-	-	-
Share of result of a jointly controlled entity		(6,810)	1,483	-	
Loss before taxation	19	(17,135,260)	(2,697,397)	(16,752,628)	(2,663,349)
Taxation	20	-	-	-	-
Net loss for the financial year		(17,135,260)	(2,697,397)	(16,752,628)	(2,663,349)
Other comprehensive income, net of tax					
- Foreign currency translation on foreign entity		(40,729)	17,686	-	-
Total comprehensive loss for the financial year		(17,175,989)	(2,679,711)	(16,752,628)	(2,663,349)
Net loss for the financial year attributable to:					
Owners of the Company		(17,109,587)	(2,693,617)	(16,752,628)	(2,663,349)
Non-controlling interests		(25,673)	(3,780)	-	-
		(17,135,260)	(2,697,397)	(16,752,628)	(2,663,349)
Total comprehensive loss for the financial year attributable to:					
Owners of the Company		(17,150,316)	(2,675,931)	(16,752,628)	(2,663,349)
Non-controlling interests		(25,673)	(3,780)	-	-
		(17,175,989)	(2,679,711)	(16,752,628)	(2,663,349)
Loss per ordinary share (sen):	21				
- basic		(7.54)	(1.19)		
- diluted		(7.54)	(1.19)		

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

Statements of Changes in Equity

for the Financial Year Ended 30th September 2013

	Note	Attributable to Owners of the Company						
			Non-distributable		Distributable			
		Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Profits	Total	Non-Controlling Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM
Group								
At 30th September 2011		22,700,000	11,257,715	28,031	9,970,150	43,955,896	(18,898)	43,936,998
Foreign currency translation on foreign entity		-	-	17,686	-	17,686	-	17,686
Total other comprehensive income for the year, net of tax		-	-	17,686	-	17,686	-	17,686
Net loss for the financial year		-	-	-	(2,693,617)	(2,693,617)	(3,780)	(2,697,397)
Total comprehensive loss for the financial year		-	-	17,686	(2,693,617)	(2,675,931)	(3,780)	(2,679,711)
At 30th September 2012		22,700,000	11,257,715	45,717	7,276,533	41,279,965	(22,678)	41,257,287

Statements of Changes in Equity

for the Financial Year Ended 30th September 2013
cont'd

	Note	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Profits	Total	Non-Controlling Interests	Total Equity
		← Attributable to Owners of the Company →						
			← Non-distributable →		Distributable			
		RM	RM	RM	RM	RM	RM	RM
Group								
At 1st October 2012		22,700,000	11,257,715	45,717	7,276,533	41,279,965	(22,678)	41,257,287
Foreign currency translation on foreign entity		-	-	(40,729)	-	(40,729)	-	(40,729)
Total other comprehensive income for the year, net of tax		-	-	(40,729)	-	(40,729)	-	(40,729)
Net loss for the financial year		-	-	-	(17,109,587)	(17,109,587)	(25,673)	(17,135,260)
Total comprehensive loss for the financial year		-	-	(40,729)	(17,109,587)	(17,150,316)	(25,673)	(17,175,989)
At 30th September 2013		22,700,000	11,257,715	4,988	(9,833,054)	24,129,649	(48,351)	24,081,298

Statements of Changes in Equity
for the Financial Year Ended 30th September 2013
cont'd

		Attributable to Owners of the Company			
			Non-distributable	*Distributable*	
	Note	Share Capital	Share Premium	Retained Profits	Total
		RM	RM	RM	RM
Company					
At 1st October 2011		22,700,000	11,257,715	9,967,282	43,924,997
Total comprehensive loss for the financial year		-	-	(2,663,349)	(2,663,349)
At 30th September 2012		22,700,000	11,257,715	7,303,933	41,261,648
Total comprehensive loss for the financial year		-	-	(16,752,628)	(16,752,628)
At 30th September 2013		22,700,000	11,257,715	(9,448,695)	24,509,020

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

Statements of Cash Flows
for the Financial Year Ended 30th September 2013

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before taxation	(17,135,260)	(2,697,397)	(16,752,628)	(2,663,349)
Adjustments for:				
Amortisation of intangible asset	873,835	254,778	873,835	254,778
Deposit written off	4,139	-	4,139	-
Depreciation of property, plant and equipment	2,883,875	678,386	2,875,985	670,381
Impairment loss on amount owing by subsidiary companies	-	-	-	64,581
Impairment loss on intangible assets	4,245,720	-	4,245,720	-
Impairment loss on property, plant and equipment	5,316,943	-	5,316,943	-
Interest income	(164,570)	(391,633)	(164,570)	(391,633)
Loss on disposal of property, plant and equipment	686	-	686	-
Property, plant and equipment written off	4,509	54,081	4,509	54,081
Share of result of a jointly controlled entity	6,810	(1,483)	-	-
Unrealised (gain)/loss on foreign exchange	(53,492)	26,427	(53,492)	26,427
	(4,016,805)	(2,076,841)	(3,648,873)	(1,984,734)
Changes in working capital:				
Inventories	(183,770)	(251,889)	(183,770)	(251,889)
Receivables	(442,284)	(135,300)	(442,284)	(137,300)
Payables	327,017	(3,531)	321,269	7,205
	(4,315,842)	(2,467,561)	(3,953,658)	(2,366,718)
Tax (paid)/refund	(842)	549	(842)	549
Net Operating Cash Flows	(4,316,684)	(2,467,012)	(3,954,500)	(2,366,169)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Product development costs incurred	(1,205,738)	(1,402,775)	(1,205,738)	(1,402,775)
Other investment	(81,438)	-	-	-
Interest received	164,570	391,633	164,570	391,633
Net changes in amount owing by subsidiary companies	-	-	(780,506)	(64,581)
Purchase of property, plant and equipment	(296,033)	(7,467,658)	(296,033)	(7,467,658)
Proceed from disposal of property, plant and equipment	2,500	-	2,500	-
Net Investing Cash Flows	(1,416,139)	(8,478,800)	(2,115,207)	(8,543,381)

Statements of Cash Flows
for the Financial Year Ended 30th September 2013
cont'd

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,732,823)	(10,945,812)	(6,069,707)	(10,909,550)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(40,729)	15,839	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	8,721,193	19,651,166	8,716,130	19,625,680
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	2,947,641	8,721,193	2,646,423	8,716,130
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Fixed deposits placed with licensed banks	2,019,379	8,042,514	2,019,379	8,042,514
Cash and bank balances	928,262	678,679	627,044	673,616
	2,947,641	8,721,193	2,646,423	8,716,130

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company is principally engaged in the distribution, research, design and deployment of radio frequency identity tag and other tagging solutions using broadband networks and provision of training, instrumentation, systems integration, maintenance and consultancy services. The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

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

The registered office business of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor.

The principal place of business of the Company is located at 4808-1-26, CBD Perdana 2, Persiaran Perdana, 63000 Cyberjaya Selangor.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the board of directors in accordance with a resolution of the directors on 15th January 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The financial statements of the Group and of the Company for the financial year ended 30th September 2013 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 First-time Adoption of MFRSs. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statement.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int

(a) Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19th November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1st January 2015. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time Adoption of MFRSs for the current financial year ended 30th September 2013.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1st October 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 30th September 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and the Company's statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
Revised MFRSs		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (continued)

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is 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". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (continued)

MFRS 11 Joint Arrangements

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiary Companies

Subsidiary companies are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiary companies are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transactions costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for Business Combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1st October 2010 the Group has applied MFRS 3 Business Combination (Revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisition on or after 1st October 2010
For acquisition on or after 1st October 2010, the Group measures goodwill at the acquisition date as:-

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

(ii) Accounting for Business Combinations (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition between 1st October 2006 and 30th September 2010
For acquisition between 1st October 2006 and 30th September 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquitision.

Acquisition prior to 1st October 2006
For acquisition prior to 1st October 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in fair values of the net identifiable assets and liabilities.

(iii) Accounting for Acquisition of Non-controlling Interest

The Group treats all changes in its ownership interest in a subsidiary company that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) Loss of Control

The Group applied FRS 127 Consolidated and Separate Financial Statements (Revised) since 1st October 2010 in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interest and the other components of equity related to the subsidiary company. 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 company, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary company, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost in initial measurement of the investment.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

(v) Non-controlling Interest

Non-controlling interest at the end of the reporting period, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interest 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 year between non-controlling interest and the owners of the Company.

Since 1st October 2010, the Group has applied FRS 127 Consolidated and Separate Financial Statements (Revised) where losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

Prior to 1st October 2010, where losses applicable to the non-controlling interest exceed the their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interest, were charged against the Group's interest except to the extent that the non-controlling interest had a binding obligation to, and was able to make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interest's share of losses previously absorbed by the Group had been recovered.

(vi) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(l)(ii). Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(b) Property, Plant and Equipment and Depreciation (continued)

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

Office building	2%
Computers	33.33%
IT Equipment	10% - 20%
Office equipment and furniture and fittings	10%
Renovation	10%
Motor vehicle	20%

IT equipment under installation and work-in progress are not depreciated as these assets are not available for use.

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

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

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

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

(c) Jointly Controlled Entity

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

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting.

In the Company's separate financial statements, investment in jointly controlled entity is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(l)(ii).

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

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(d) Intangible Assets

(i) Goodwill on Consolidation and Gain On A Bargain Purchase

Goodwill represents any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(l)(ii). Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and Development Costs

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:-

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated that the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure that does not meet these criteria is recognised as an expense when incurred. Development expenditure previously recognised as an expense cannot be recognised as an asset in subsequent period. Capitalised development expenditure are recorded as intangible assets and amortised from that point at which the asset is ready for use or sale, on a straight-line basis over the estimated useful life.

The estimated useful lives of capitalised development expenditure are three to five years.

Capitalised development expenditure are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(l)(ii).

Capitalised development expenditure are derecognised upon disposal and no future economic benefits are expected from its use of disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit or loss.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(e) Other Investment

Other investment is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(l)(ii).

In disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the profit or loss.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises cost of purchase and incidental costs in bringing the inventories to their present location and condition. Cost being determined on the fist-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

(g) Financial Instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, at fair values plus directly attributable transaction costs.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:-

(i) Financial Assets

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as other income or losses.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(i) Financial Assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments

Held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold it to maturity.

Subsequent to initial recognition, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest rate method less impairment. If the Group and the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale and prevent the Group and the Company from classifying the afore mentioned financial assets as held-to-maturity for the current and the following two financial years. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the profit or loss. Available-for-sale financial assets are measured at cost if the fair value of the unquoted equity instrument cannot be reliably measured.

(ii) Financial Liabilities

Financial liabilities within the scope of MFRS 139 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. Financial liabilities are recognised initially at fair value and in the case of the other financial liabilities, at fair values plus directly attributable transaction costs.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(ii) Financial Liabilities (continued)

The subsequent measurement of financial liabilities depends on their classification as follows:-

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses on other financial liabilities are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular Way Purchase or Sale of Financial Assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention the marketplace concerned.

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:-

- the recognition of an asset to be received and the liability to pay for it on the trade date, and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(v) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or 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 and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised 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 and the consideration paid is recognised in profit or loss.

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(i) Equity Instruments

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

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

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

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(j) Taxation

The tax expense in the statements of comprehensive income represents the aggregate amount of current tax and deferred tax included in determination of net profit or loss for the financial year.

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in other comprehensive income.

(k) Revenue Recognition

(i) Sales of Goods and Services Rendered

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

(ii) Interest revenue

Interest revenue is recognised on accrual basis.

(l) Impairment

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(l) Impairment (continued)

(i) Impairment of Financial Assets

Trade and other receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local or economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Impairment of Non-financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU that are expected to benefit from the synergies of the combination.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(l) Impairment (continued)

(ii) Impairment of Non-financial Assets (continued)

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss is recognised in the profit or loss in the period in which it arises.

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

(m) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Post-employment Benefits

The Malaysian companies in the Group and the Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(n) Foreign Currencies

(i) 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 ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional currency and presentation currency.

(ii) Transactions and Balances

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

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

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

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

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

(o) Earnings Per Share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Notes to the Financial Statements
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant Accounting Policies (continued)

(p) Segment Reporting

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

(q) Cash and Cash Equivalents

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

(a) Critical Judgements Made in Applying Accounting Policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:-

Depreciation of IT Equipment under Installation and Work-in Progress

The Group and the Company write down the cost of their assets on a straight line basis over their expected useful lives when they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

As at 30th September 2013, the directors are of the view that the IT equipment under installation and work-in progress with carrying amount of RM4,231,179/- and RM1,434,600/- respectively are still on a trial run and not in a condition ready for operating and commercial use.

(b) Key Sources of Estimation Uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

Notes to the Financial Statements
cont'd

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Key Sources of Estimation Uncertainty (continued)

(i) Useful lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Capitalisation of Development Costs

In determining the development costs to be capitalised, the Group and the Company make estimates and assumptions based on expected future economic benefits generated by products that are the result of these development costs. Other important estimates and assumptions in this assessment process are the required internal rate of return, the distinction between research and development and the estimated useful life.

(iii) Impairment of Loans and Receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(iv) Net Realisable Values of Inventories

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

(v) Impairment of Investment in Jointly Controlled Entity

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Significant judgement is required in the estimation of the present value of future cash flows generated by the jointly controlled entity, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in jointly controlled entity.

Notes to the Financial Statements
cont'd

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Key Sources of Estimation Uncertainty (continued)

(v) Impairment of Investment in Jointly Controlled Entity (continued)

As at the end of the reporting period, the directors of the Group are of the opinion that there is no impact resulting from the impairment review.

(vi) Impairment of Property, Plant and Equipment and Intangible Assets

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

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

As at the end of the reporting period, an impairment loss of RM9,562,663/- had been made on property, plant and equipment and intangible assets as a result of the impairment review.

(vii) Income Taxes

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

(viii) Amortisation of Intangible Assets

Intangible assets are amortised on a straight line basis over their estimated economic useful lives. The management estimates that the useful lives of the intangible assets to be 3 to 5 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the intangible assets. Therefore the future amortisation charge could be revised.

(ix) Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 3 to 50 years. The carrying amounts of the Group's property, plant and equipment as at 30th September 2013 were RM13,209,571/- (30.09.2012: RM21,090,934/- ; 01.10.2011: RM14,297,760/-). Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore the future depreciation charge could be revised.

Notes to the Financial Statements
cont'd

4. PROPERTY, PLANT AND EQUIPMENT

Group 2013	Office Building RM	Computers RM	IT Equipment RM	IT equipment under Installation RM	Office equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicle RM	Work-in Progress RM	Total RM
Cost									
At 1st October 2012	2,300,000	123,649	13,519,498	4,231,179	227,906	228,107	99,217	1,434,600	22,164,156
Additions	-	12,898	295,244	-	24,011	-	-	-	332,153
Reclassification	-	11,000	(11,000)	-	-	-	-	-	-
Transfer*	-	-	(7,969)	-	-	-	-	-	(7,969)
Write-off	-	-	(6,822)	-	-	-	-	-	(6,822)
Disposal		-	(5,027)	-	-	-	-	-	(5,027)
At 30th September 2013	2,300,000	147,547	13,783,924	4,231,179	251,917	228,107	99,217	1,434,600	22,476,491
Accumulated Depreciation and Impairment Loss									
At 1st October 2012	43,667	80,859	827,053	-	69,096	27,743	24,804	-	1,073,222
Depreciation for the financial year	46,000	32,624	2,735,089	-	26,615	23,704	19,843	-	2,883,875
Reclassification	-	1,283	(1,283)	-	-	-	-	-	-
Transfer*	-	-	(2,966)	-	-	-	-	-	(2,966)
Write-off	-	-	(2,313)	-	-	-	-	-	(2,313)
Disposal	-	-	(1,841)	-	-	-	-	-	(1,841)
Impairment loss	-	-	5,316,943	-	-	-	-	-	5,316,943
At 30th September 2013	89,667	114,766	8,870,682	-	95,711	51,447	44,647	-	9,266,920
Net Book Value at 30th September 2013	2,210,333	32,781	4,913,242	4,231,179	156,206	176,660	54,570	1,434,600	13,209,571

Notes to the Financial Statements cont'd

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2012	Office Building RM	Computers RM	IT Equipment RM	IT equipment under Installation RM	Office equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicle RM	Work-in Progress RM	Total RM
Cost									
At 1st October 2011	1,300,000	120,336	979,208	8,321,580	194,581	102,079	99,217	3,579,970	14,696,971
Additions	1,000,000	3,313	4,870,392	-	33,325	126,028	-	1,434,600	7,467,658
Reclassification	-	-	7,670,371	(4,090,401)	-	-	-	(3,579,970)	-
Transfer*	-	-	57,983	-	-	-	-	-	57,983
Write-off	-	-	(58,456)	-	-	-	-	-	(58,456)
At 30th September 2012	2,300,000	123,649	13,519,498	4,231,179	227,906	228,107	99,217	1,434,600	22,164,156
Accumulated Depreciation									
At 1st October 2011	4,333	44,728	289,985	-	44,788	10,416	4,961	-	399,211
Depreciation for the financial year	39,334	36,131	541,443	-	24,308	17,327	19,843	-	678,386
Write-off	-	-	(4,375)	-	-	-	-	-	(4,375)
At 30th September 2012	43,667	80,859	827,053	-	69,096	27,743	24,804	-	1,073,222
Net Book Value at 30th September 2012	2,256,333	42,790	12,692,445	4,231,179	158,810	200,364	74,413	1,434,600	21,090,934
Net Book Value at 30th September 2011	1,295,667	75,608	689,223	8,321,580	149,793	91,663	94,256	3,579,970	14,297,760

Notes to the Financial Statements
cont'd

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2013	Office Building RM	Computers RM	IT Equipment RM	IT equipment under Installation RM	Office equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicle RM	Work-in Progress RM	Total RM
Cost									
At 1st October 2012	2,300,000	121,560	13,517,718	4,231,179	196,885	219,152	99,217	1,434,600	22,120,311
Additions	-	12,898	295,244	-	24,011	-	-	-	332,153
Reclassification	-	11,000	(11,000)	-	-	-	-	-	-
Transfer*	-	-	(7,969)	-	-	-	-	-	(7,969)
Write-off	-	-	(6,822)	-	-	-	-	-	(6,822)
Disposal	-	-	(5,027)	-	-	-	-	-	(5,027)
At 30th September 2013	2,300,000	145,458	13,782,144	4,231,179	220,896	219,152	99,217	1,434,600	22,432,646
Accumulated Depreciation and Impairment Loss									
At 1st October 2012	43,667	77,586	826,459	-	45,588	20,578	24,804	-	1,038,682
Depreciation for the financial year	46,000	32,624	2,735,089	-	20,514	21,915	19,843	-	2,875,985
Reclassification	-	1,283	(1,283)	-	-	-	-	-	-
Transfer*	-	-	(2,966)	-	-	-	-	-	(2,966)
Write-off	-	-	(2,313)	-	-	-	-	-	(2,313)
Disposal	-	-	(1,841)	-	-	-	-	-	(1,841)
Impairment loss	-	-	5,316,943	-	-	-	-	-	5,316,943
At 30th September 2013	89,667	111,493	8,870,088	-	66,102	42,493	44,647	-	9,224,490
Net Book Value at 30th September 2013	2,210,333	33,965	4,912,056	4,231,179	154,794	176,659	54,570	1,434,600	13,208,156

Notes to the Financial Statements cont'd

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2012	Office Building RM	Computers RM	IT Equipment RM	IT equipment under Installation RM	Office equipment and Furniture and Fittings RM	Renovation RM	Motor Vehicle RM	Work-in Progress RM	Total RM
Cost									
At 1st October 2011	1,300,000	118,247	977,428	8,321,580	163,560	93,124	99,217	3,579,970	14,653,126
Additions	1,000,000	3,313	4,870,392	-	33,325	126,028	-	1,434,600	7,467,658
Reclassification	-	-	7,670,371	(4,090,401)	-	-	-	(3,579,970)	-
Transfer*	-	-	57,983	-	-	-	-	-	57,983
Write-off	-	-	(58,456)	-	-	-	-	-	(58,456)
At 30th September 2012	2,300,000	121,560	13,517,718	4,231,179	196,885	219,152	99,217	1,434,600	22,120,311
Accumulated Depreciation									
At 1st October 2011	4,333	41,466	289,391	-	27,483	5,042	4,961	-	372,676
Depreciation for the financial year	39,334	36,120	541,443	-	18,105	15,536	19,843	-	670,381
Reclassification	-	-	-	-	-	-	-	-	-
Transfer*	-	-	-	-	-	-	-	-	-
Write-off	-	-	(4,375)	-	-	-	-	-	(4,375)
At 30th September 2012	43,667	77,586	826,459	-	45,588	20,578	24,804	-	1,038,682
Net Book Value at 30th September 2012	2,256,333	43,974	12,691,259	4,231,179	151,297	198,574	74,413	1,434,600	21,081,629
Net Book Value at 30th September 2011	1,295,667	76,781	688,037	8,321,580	136,077	88,082	94,256	3,579,970	14,280,450

**IT equipment with net book value of RM5,003/- (30.09.2012: RM57,983/-; 01.10.2011: RM3,432/-) was transferred to inventory during the financial year.*

Notes to the Financial Statements
cont'd

4. PROPERTY, PLANT AND EQUIPMENT (continued)

The balance of purchase consideration for work-in progress is disclosed as capital commitment in Note 27(b) to the financial statements.

An impairment loss of RM5,316,943/- (30.09.2012: RM Nil; 01.10.2011: RM Nil), representing the write-down of the equipment to its recoverable amount was recognised in "Administrative Expenses" line item of the statement of comprehensive income for the financial year ended 30th September 2013. The recoverable amount of the property, plant and equipment was based on its value in used and the pre-tax discount rate used was 11%.

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Unquoted shares - at cost	819,068	819,068	819,068
Less: Accumulated impairment losses	(819,068)	(819,068)	(819,068)
	-	-	-

Key assumptions used in impairment calculations

Management determined the recoverable amount of the investment in subsidiary companies based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at the end of the reporting period. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

As a result of the above, the Company recognised an impairment loss of RM819,068/- during the financial year ended 2010.

Details of the subsidiary companies are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest			Principal Activities
		30.09.2013	30.09.2012	01.10.2011	
		%	%	%	
Smartag Technologies Sdn. Bhd.	Malaysia	100	100	100	Dormant
Smartag International, Inc.#*	United States of America	94.01	94.01	94.01	Information Technology

\# *Audited by another firm of chartered accountants other than Baker Tilly Monteiro Heng.*

* *The Auditors' Report of this subsidiary contains an emphasis of matter paragraph in relation to the going concern consideration.*

Notes to the Financial Statements
cont'd

5. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

In financial year 2011, Smartag International, Inc. ("SII") had issued 500,000 shares of common stock. The shares were issued upon the conversion of the USD25,000/- Convertible Note as disclosed in Note 17(b)(ii) to the financial statements. Following the issuance of the additional 500,000 SII common stocks, there was a dilution in the Company's effective equity interest in SII from 98.60% to 94.01%.

6. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Group			
Unquoted shares - at cost	5,015,000	5,015,000	5,015,000
Share of post-acquisition loss	(19,661)	(12,851)	(14,334)
	4,995,339	5,002,149	5,000,666
Company			
Unquoted shares - at cost	5,015,000	5,015,000	5,015,000

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

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Assets and liabilities			
Current assets	1,098	7,627	3,743
Non-current assets	10,000,000	10,000,000	10,000,000
Total assets	10,001,098	10,007,627	10,003,743
Current liabilities	(10,422)	(3,330)	(2,411)
Non-current liabilities	-	-	-
Total liabilities	(10,422)	(3,330)	(2,411)
Results			
Revenue	-	90,150	-
Expenses	(13,621)	(10,297)	(3,900)

Notes to the Financial Statements
cont'd

6. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

Details of the jointly controlled entity are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest			Principal Activities
		30.09.2013	30.09.2012	01.10.2011	
		%	%	%	
My Record Sdn. Bhd.#	Malaysia	50	50	50	Provision of software solutions and integration services for the courier and logistics industry. The company has commenced business operation during the financial year.

Audited by another firm of chartered accountants other than Baker Tilly Monteiro Heng.

On 19th May 2010, the Company entered into a joint venture agreement with Sure-Reach Worldwide Express Sdn. Bhd. and incorporated a jointly controlled entity, My Record Sdn. Bhd. (f.k.a Sure-Reach Smartag Sdn. Bhd.) with a total paid up share capital of RM10,030,000/- consisting of 10,030,000 ordinary shares of RM1/- each. The Company subscribed for 50% of the total paid up capital in My Record Sdn. Bhd..

7. GOODWILL ON CONSOLIDATION

	Group		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Goodwill on consolidation, at cost	864,230	864,230	864,230
Less: Accumulated impairment losses	(864,230)	(864,230)	(864,230)
	-	-	-

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

In financial year ended 2010, the management of the Company had made a full impairment loss on the goodwill on consolidation arising from the acquisition of Smartag International, Inc in view that the said subsidiary company is dormant and the ability to generate any positive cash flow remained uncertain.

Notes to the Financial Statements
cont'd

8. INTANGIBLE ASSETS

	Group and Company		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Product Development Costs			
Cost			
At 1st October	6,342,692	4,939,917	4,232,417
Additions	1,205,738	1,402,775	707,500
At 30th September	7,548,430	6,342,692	4,939,917
Accumulated Amortisation and Impairment Loss			
At 1st October	254,778	-	-
Additions	873,835	254,778	-
Impairment Loss	4,245,720	-	-
At 30th September	5,374,333	254,778	-
Carrying Amount at 30th September	2,174,097	6,087,914	4,939,917

The amortisation of product development cost is included in the "Administrative expenses" and "Cost of sales" line items in the statement of comprehensive income.

An impairment loss of RM4,245,720/- (30.09.2012: RM Nil; 01.10.2011: RM Nil), representing the write-down of the product development costs to their recoverable amount was recognised in "Administrative Expenses" line item of the statement of comprehensive income for the financial year ended 30th September 2013. The recoverable amount of the intangible assets was based on its value in used and the pre-tax discount rate used was 11%.

9. OTHER INVESTMENT

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
At cost			
Unquated shares, outside Malaysia			
At 1st October	-	-	-
Addition	81,438		
At 30th September	81,438	-	-

Notes to the Financial Statements
cont'd

10. INVENTORIES

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were both amounting to RM241,898/-. The inventories of the Group and the Company represent the finished goods, carried at cost.

11. TRADE AND OTHER RECEIVABLES

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Group			
Trade receivables (Note 11(a))	809,337	205,749	110,244
Other receivables (Note 11(b))			
Other receivables	70,226	121,962	274
Deposits	55,863	99,040	95,194
Prepayments	30,928	47,966	160,132
Other receivables, net	157,017	268,968	255,600
Total trade and other receivables	966,354	474,717	365,844
Add:			
Cash and cash equivalents (Note 13)	2,947,641	8,721,193	19,651,166
Less: Prepayments	(30,928)	(47,966)	(160,132)
Total loans and receivables	3,883,067	9,147,944	19,856,878
Company			
Trade receivables (Note 11(a))	809,337	205,749	110,244
Other receivables (Note 11(b))			
Other receivables	70,226	121,962	274
Deposits	55,863	99,040	93,194
Prepayments	30,928	47,966	160,132
Other receivables, net	157,017	268,968	253,600
Total trade and other receivables	966,354	474,717	363,844
Add:			
Amount owing by subsidiary companies	780,506	-	-
Cash and cash equivalents (Note 13)	2,646,423	8,716,130	19,625,680
Less: Prepayments	(30,928)	(47,966)	(160,132)
Total loans and receivables	4,362,355	9,142,881	19,829,392

Notes to the Financial Statements
cont'd

11. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables

The normal trade credit terms granted to the Group and the Company range from 1 to 120 days (30.09.2012: 1 to 120 days ; 01.10.2011: 1 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group and the Company have significant concentration of credit risk in the form of outstanding balances due from 2 customers (30.09.2012: 2 ; 01.10.2011: 3) representing 89% (30.09.2012 : 95% ; 01.10.2011: 96%) of the total trade receivables.

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

	Group and Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Ringgit Malaysia	809,337	202,800	105,400
Thai Baht	-	2,949	4,844
	809,337	205,749	110,244

Ageing analysis of trade receivables is as follows:-

	Group and Company		
	30.09.2013	**30.09.2012**	**01.10.2011**
	RM	**RM**	**RM**
Neither past due nor impaired	331,294	7,096	26,400
Past due but not impaired			
1 to 30 days past due not impaired	268,368	2,949	42,497
31 to 60 days past due not impaired	100,633	-	2,347
61 to 90 days past due not impaired	70,042	-	-
91 to 120 days past due not impaired	-	156,704	-
More than 121 days past due not impaired	39,000	39,000	39,000
	478,043	198,653	83,844
Impaired	-	-	-
	809,337	205,749	110,244

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Notes to the Financial Statements
cont'd

11. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Receivables that are past due but not impaired

In determining the extent of impairment loss on receivables, the directors have given due consideration to all information available to assess the likelihood of bad debts arising. Although uncertainty generally exists with regard to the recovery of debts, the directors are of the opinion that no impairment is required.

(b) Other receivables

The amount due from other receivables are unsecured, interest free and are repayable on demand.

12. AMOUNT OWING BY SUBSIDIARY COMPANIES

	Company		
	30.09.2013	30.09.2012	01.10.2011
	RM	RM	
Amount owing by subsidiary companies, at cost	1,301,144	520,638	456,057
Less: Accumulated impairment losses	(520,638)	(520,638)	(456,057)
Amount owing by subsidiary companies, net	780,506	-	-

(a) Amount owing by Smartag International, Inc. ("SII")

Included in amount owing by subsidiary companies is an amount of RM780,506/- (equivalent to USD153,030/-) advanced to SII.

On 17th March 2009, the Company entered into a Revolving Promissory Note (the "Secured Note") with SII. Under the terms of the Secured Note, the Company agreed to advance to SII, from time to time and at the request of SII, amounts up to an aggregate of USD200,000/- until 31st December 2010. All advances are interest free and shall be paid on or before 31st December 2010. The Secured Note ranks higher to all current and future indebtedness of SII and is secured by substantially all of the assets of SII.

(b) Amount owing by Smartag Technologies Sdn. Bhd. ("ST")

The amount owing by ST is unsecured, interest free and are repayable on demand. As at 30th September 2013, the total amount advanced to ST was RM155/-.

(c) Movement in accumulated impairment losses is as follows:-

	Company	
	2013	2012
	RM	RM
At beginning of the financial year	520,638	456,057
Charge during the financial year	-	64,581
At end of the financial year	520,638	520,638

Notes to the Financial Statements
cont'd

13. CASH AND CASH EQUIVALENTS

	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Group			
Fixed deposits placed with licensed banks	2,019,379	8,042,514	12,971,293
Cash and bank balances	928,262	678,679	6,679,873
Cash and cash equivalents (Note 11)	2,947,641	8,721,193	19,651,166
Company			
Fixed deposits placed with licensed banks	2,019,379	8,042,514	12,971,293
Cash and bank balances	627,044	673,616	6,654,387
Cash and cash equivalents (Note 11)	2,646,423	8,716,130	19,625,680

The fixed deposits placed with licensed banks earn interest rates ranging from 3.00% to 3.70% (30.09.2012: 2.71% to 3.70% ; 01.10.2011: 2.73% to 2.87%) per annum and have maturity periods ranging from 7 days to 18 months (30.09.2012: 7 days to 18 months ; 01.10.2011: 7 days to 12 months).

The currency exposure of cash and cash equivalents is as follows:-

	30.09.2013 RM	30.09.2012 RM	01.10.2011 RM
Group			
Ringgit Malaysia	2,264,108	8,308,054	19,318,953
Thai Baht	251,671	257,328	311,913
US Dollar	431,862	155,811	20,300
	2,947,641	8,721,193	19,651,166
Company			
Ringgit Malaysia	2,263,618	8,304,512	19,313,767
Thai Baht	251,671	257,328	311,913
US Dollar	131,134	154,290	-
	2,646,423	8,716,130	19,625,680

Notes to the Financial Statements
cont'd

14. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares of RM0.10 each				
Authorised:-				
At the beginning/end of the financial year	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid up:-				
At the beginning of the financial year	227,000,000	22,700,000	170,000,000	17,000,000
Issuance of shares	-	-	57,000,000	5,700,000
At the end of the financial year	227,000,000	22,700,000	227,000,000	22,700,000

On 18th April 2011, the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad and made a public issue of 57,000,000 ordinary shares at issue price of RM0.31 each ("Public Issue"). The total proceeds from Public Issue was RM17,670,000/-.

The Company's Public Issue has increased its issued and fully paid share capital from RM17,000,000/- to RM22,700,000/- by capitalising a sum of RM5,700,000/- for 57,000,000 ordinary shares of RM0.10 each in the share capital of the Company.

The new shares rank pari-passu with the existing shares of the Company.

15. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28th December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31st December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31st December 2007 in accordance with Section 39 of the Finance Act 2007.

As at 30th September 2013, the Section 108 balance of the Company was Nil (30.09.2012: Nil ; 01.10.2011: Nil) and tax-exempt account balance was RM27,296,976/- (30.09.2012: RM27,296,976/- ; 01.10.2011: RM27,296,976/-).

Notes to the Financial Statements
cont'd

16. OTHER RESERVES

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Group			
Share premium	11,257,715	11,257,715	11,970,000
Less: share issuance expenses	-	-	(712,285)
	11,257,715	11,257,715	11,257,715
Foreign exchange translation reserve	4,988	45,717	28,031
	11,262,703	11,303,432	11,285,746
Company			
Share premium	11,257,715	11,257,715	11,970,000
Less: share issuance expenses	-	-	(712,285)
	11,257,715	11,257,715	11,257,715

Foreign exchange translation reserve
Foreign exchange translation reserve represents foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Share premium
The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public, net of share issue expenses.

Notes to the Financial Statements
cont'd

17. TRADE AND OTHER PAYABLES

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Group			
Trade payables (Note 17(a))	194,755	39,931	39,931
Other payables (Note 17(b))			
Other payables	167,410	2,182	31,351
Accruals	359,775	316,690	292,899
	527,185	318,872	324,250
Total trade and other payables	721,940	358,803	364,181
Total other financial liabilities	721,940	358,803	364,181
Company			
Trade payables (Note 17(a))	193,969	39,145	39,145
Other payables (Note 17(b))			
Other payables	166,906	1,262	15,176
Accruals	349,439	312,518	291,399
	516,345	313,780	306,575
Total trade and other payables	710,314	352,925	345,720
Total other financial liabilities	710,314	352,925	345,720

(a) Trade payables

The normal trade credit terms granted to the Group and the Company range from 1 to 30 days (30.09.2012: 1 to 30 days ; 01.10.2011: 1 to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements
cont'd

17. TRADE AND OTHER PAYABLES (continued)

(b) Other payables

The amounts due to other payables are unsecured, interest free and are repayable on demand.

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

	30.09.2013	30.09.2012	01.10.2011
	RM	RM	RM
Group			
Ringgit Malaysia	522,283	317,578	306,083
Thai Baht	4,398	374	1,992
US Dollar	504	920	16,175
	527,185	318,872	324,250
Company			
Ringgit Malaysia	515,314	313,406	304,583
Thai Baht	1,031	374	1,992
	516,345	313,780	306,575

(ii) On 18th November 2008, Smartag International, Inc. ("SII") issued a Convertible Note for USD25,000/- to Ventana Capital Partners, Inc. ("Ventana") in connection with USD10,000/- cash and USD15,000/- in professional services provided by Ventana. The convertible note was subsequently transferred to Venor, Inc. on 31st December 2008 and Venor had on 1st November 2010 subsequently transferred the Convertible Note to Paul Matthews.

On 10th November 2010, Smartag International had entered into a settlement agreement with Paul Matthews for the full settlement of the Convertible Note. Pursuant to the said agreement, the outstanding Convertible Note of USD25,000/- as at the even date will be converted to 500,000 Smartag International's common stock as the full and final settlement for the Convertible Note ("Conversion of Convertible Note").

18. REVENUE

Group and Company

Revenue represents the invoiced value of products and services rendered, net of discounts.

Notes to the Financial Statements
cont'd

19. LOSS BEFORE TAXATION

Loss before taxation has been arrived at:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
After charging:-				
Amortisation of intangible asset	873,835	254,778	873,835	254,778
Audit fee				
- current year	28,500	26,500	25,000	25,000
- prior year	500	4,000	-	4,000
Deposit written off	4,139	-	4,139	-
Depreciation of property, plant and equipment	2,883,875	678,386	2,875,985	670,381
Directors' remuneration				
- fees	192,000	192,000	192,000	192,000
- salaries and allowances	327,885	302,500	327,885	600,000
- Employees' Provident Fund	39,347	36,300	39,347	72,000
- SOCSO	981	1,240	981	1,240
Impairment loss on amount owing by subsidiary companies	-	-	-	64,581
Impairment loss on				
- Intangible assets	4,245,720	-	4,245,720	-
- Property, plant and equipment	5,316,943	-	5,316,943	-
Loss on foreign exchange				
- realised	1,434	261	1,434	261
- unrealised	-	26,427	-	26,427
Loss on disposal of property, plant and equipment	686	-	686	-
Property, plant and equipment written off	4,509	54,081	4,509	54,081
Rental	44,390	28,210	44,390	28,210
Severance	104,708	-	104,708	-
Staff costs				
- bonus	-	20,900	-	20,900
- Employees' Provident Fund	201,299	89,328	162,288	89,328
- salaries and wages	1,729,858	699,495	1,358,940	699,495
- SOCSO	18,901	15,692	17,581	15,692
And crediting:-				
Gain on foreign exchange				
- realised	(287)	(244)	(287)	(244)
- unrealised	(53,492)	-	(53,492)	-
Interest income	(164,570)	(391,633)	(164,570)	(391,633)

Notes to the Financial Statements
cont'd

20. TAXATION

The Company is exempted from income tax in respect of its statutory business income derived from Malaysia as the Company is granted MSC (Multimedia Super Corridor) status with Pioneer Status tax incentive for 5 years beginning 11th July 2007. The extension of Pioneer Status for the Company had been approved by authorities concerned for another five years from the date of expiry.

Domestic income tax is calculated at the Malaysia statutory tax rate of 25% of the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the jurisdiction.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Loss before tax	(17,135,260)	(2,697,397)	(16,752,628)	(2,663,349)
Tax at the applicable tax rate of 25%	4,283,815	674,349	4,188,157	665,837
Tax effect arising from:				
- non-deductible expenses	(3,015,231)	(143,278)	(2,922,800)	(134,395)
- non-taxable income	41,214	73,449	41,214	73,449
- origination of deferred tax assets not recognised in the financial statements	(1,308,096)	(604,891)	(1,306,571)	(604,891)
- share of result of a jointly controlled entity	(1,702)	371	-	-
Tax expense for the financial year	-	-	-	-

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

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Temporary differences	(2,347,036)	60,013	(2,315,214)	72,724
Unutilised tax losses	(3,533,646)	(2,167,263)	(3,472,350)	(2,111,615)
	(5,880,682)	(2,107,250)	(5,787,564)	(2,038,891)
Potential deferred tax assets not recognised	(1,470,170)	(526,813)	(1,446,891)	(509,723)

Notes to the Financial Statements
cont'd

21. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

Basic loss per ordinary share is calculated by dividing the net loss for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the year calculated as follows:-

	Group	
	2013	**2012**
	RM	**RM**
Net loss for the financial year attributable to owners of the Company	(17,109,587)	(2,693,617)
Number of shares in issue as of 1st January	227,000,000	170,000,000
Effect of:		
Issuance of shares	-	57,000,000
Weighted average number of ordinary shares	227,000,000	227,000,000
Basic loss per share for the financial year (sen)	(7.54)	(1.19)

Diluted loss per ordinary share

The basic and diluted loss per ordinary share is the same as the Group has no dilutive potential ordinary shares.

22. OPERATING SEGMENTS

The Group has one reportable segment, which is principally engaged in the distribution, research, design and deployment of radio frequency identity tag. The Group's Chief Executive Officer (the Chief Operating Decision Maker) reviews internal management reports on the segment at least on a quarterly basis.

Accordingly, information by operating segment on the Group's operations as required by FRS 8 is not presented.

Geographical Segments

The Group operates predominantly in one country, that is, Malaysia. Accordingly, the information by geographical segments of the Group's operations is not presented.

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of Related Parties

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

Notes to the Financial Statements
cont'd

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Identification of Related Parties (continued)

Related parties of the Group include:-

(i) Subsidiary companies;
(ii) Jointly controlled entity;
(iii) A company in which the director of the Company has substantial financial interest; and
(iv) Key management personnel which comprise persons (including the directors of the Company) who have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

(b) Key Management Personnel Remuneration

The remuneration of directors and other members of key management during the financial year are as follows:-

	Group and Company	
	2013	**2012**
	RM	**RM**
Directors		
- Employees' Provident Fund	39,347	72,000
- fees	192,000	192,000
- salaries and allowances	327,885	600,000
	559,232	864,000
Other key management personnel		
- salaries, bonuses and allowances	688,498	640,000
- Employees' Provident Fund	82,643	74,250
	771,141	714,250

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

(c) Significant Related Party Transactions and Balances

	Group and Company	
	2013	**2012**
	RM	**RM**
Consultancy fee	120,000	-

Notes to the Financial Statements
cont'd

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of Fair Value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:-

	Note
Financial assets (current)	
Trade and other receivables	11
Amount owing by subsidiary companies	12
Cash and cash equivalents	13
Financial liabilities (current)	
Trade and other payables	17

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the financial year end.

(b) Fair Value Hierarchy

As the financial assets and liabilities of the Group and of the Company are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group and the Company seek to manage effectively various risks namely credit, liquidity, foreign currency, interest rate and market price risks to which the Group and the Company are exposed to in their daily operations.

(i) Credit Risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including fixed deposits placed with licensed banks and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The management has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount.

At the end of the reporting period, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Notes to the Financial Statements
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit Risk (continued)

Cash and cash equivalents are placed with banks and financial institutions which are regulated.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 11(a) to the financial statements.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 11(a) to the financial statements.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

The table below summarises the maturity profile of the Group's and the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

Financial liabilities	On demand or within 1 Year RM
2013	
Group	
Trade payables	194,755
Other payables and accruals	527,185
Total undiscounted financial liabilities	721,940
Company	
Trade payables	193,969
Other payables and accruals	516,345
Total undiscounted financial liabilities	710,314

Notes to the Financial Statements
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity Risk (continued)

Financial liabilities	On demand or within 1 Year RM
2012	
Group	
Trade payables	39,931
Other payables and accruals	318,872
Total undiscounted financial liabilities	358,803
Company	
Trade payables	39,145
Other payables and accruals	313,780
Total undiscounted financial liabilities	352,925
2011	
Group	
Trade payables	39,931
Other payables and accruals	324,250
Total undiscounted financial liabilities	364,181
Company	
Trade payables	39,145
Other payables and accruals	306,575
Total undiscounted financial liabilities	345,720

(iii) Foreign Currency Risk

Foreign currency is the risk that the fair value or future cash flows of the instrument will fluctuate because of changes in foreign exchange rates.

During the financial year, the Group and the Company incurred foreign currency risk on transactions that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar and Thai Baht. Exposures to foreign currency risks are monitored on an ongoing basis.

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

Notes to the Financial Statements
cont'd

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Foreign Currency Risk (continued)

The financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are disclosed in respective notes to the financial statements.

(iv) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from fixed deposits placed with licensed banks. The investment in financial assets is mainly short term in nature and they are not held for speculative purposes.

The effective interest rate of the financial assets of the Group and the Company are disclosed in respective note to the financial statements.

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group has in place policies to manage the Group's exposure to fluctuations in the selling price of the Group's products and purchase prices of the key materials used in operations. The Management conducts constant survey of the global market price and trend in order to determine the selling price.

26. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain and or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or reduce borrowings.

There were no changes made on the capital management objectives, policies and processes of the Group during the financial year.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total interest bearing financial liabilities less cash and cash equivalents. Total capital refers to equity attributable to the owners of the Company.

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Notes to the Financial Statements
cont'd

27. COMMITMENTS

(a) Loan Commitment

Details of the loan commitment are disclosed in Note 17 to the financial statements.

(b) Capital Commitments

	Group and Company	
	2013	2012
	RM	RM
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	-	153,285

Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the reporting date, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued another directive on the disclosure and prescribed format of presentation.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and the Company as at 30th September 2013 are as follows:-

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Total retained profits of the Company and its subsidiaries				
- Realised	(14,778,345)	2,436,620	(9,502,187)	7,330,360
- Unrealised	53,492	(26,427)	53,492	(26,427)
	(14,724,853)	2,410,193	(9,448,695)	7,303,933
Total share of accumulated losses from a jointly controlled entity				
- Realised	(19,661)	(12,851)	-	-
- Unrealised	-	-	-	-
	(14,744,514)	2,397,342	(9,448,695)	7,303,933
Add: Consolidation adjustments	4,911,460	4,879,191	-	-
Total retained profits	(9,833,054)	7,276,533	(9,448,695)	7,303,933

The determination of realised and unrealised profits or losses is complied based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Statement by Directors

We, **DATUK ABDUL HAMED BIN SEPAWI** and **DATO' SRI HJ MOHAMED KHALID BIN YUSUF @ YUSUP**, being two of the directors of **SMARTAG SOLUTIONS BERHAD**, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 39 to 92 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30th September 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out on page 93 has been compiled in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

DATUK ABDUL HAMED BIN SEPAWI
Director

DATO' SRI HJ MOHAMED KHALID BIN YUSUF @ YUSUP
Director

Kuala Lumpur
Date: 15th January 2014

Statutory Declaration

I, **CHANG JUNN**, being the Chief Financial Officer primarily responsible for the financial management of **SMARTAG SOLUTIONS BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 39 to 92, and the supplementary information set out on page 93 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.

CHANG JUNN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 15th January 2014.

Before me,

ARSHAD ABDULLAH (NO. W550)
Commissioner of Oaths
Kuala Lumpur

Independent Auditor's Report
to the Members of SMARTAG SOLUTIONS BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Smartag Solutions Berhad, which comprise the statements of financial position as at 30th September 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 92.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 30th September 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and the subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of the subsidiary company of which we have not acted as auditors, which are indicated in Note 5 to the financial statements

Independent Auditor's Report
to the Members of SMARTAG SOLUTIONS BERHAD
(Incorporated in Malaysia)
cont'd

Report on other Legal and Regulatory Requirements (continued)

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 66 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 2.1 to the financial statements, Smartag Solutions Berhad adopted the Malaysian Financial Reporting Standards on 1st October 2012 with a transition date of 1st October 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 30th September 2012 and 1st October 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 30th September 2012 and its related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30th September 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1st October 2012 do not contain misstatements that materially affect the financial position as at 30th September 2013 and the financial performance and cash flows for the financial year then ended.

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/14 (J/PH)
Chartered Accountant

Kuala Lumpur
Date: 15th January 2014

Analysis of Shareholdings
as at 10 February 2014

AUTHORISED SHARE CAPITAL	:	RM25,000,000
ISSUED AND FULLY PAID UP CAPITAL	:	RM22,700,000
CLASS OF SHARE	:	Ordinary shares of RM0.10 ecah fully paid
VOTING RIGHTS	:	On a show of hands – one vote for every shareholder On a poll – one vote for every ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding

	No.of holders	%	No of shares	%
1 – 99	6	0.23	250	0.00
100 – 1,000	427	16.53	391,550	0.17
1,001 – 10,000	754	29.19	5,294,100	2.33
10,001 – 100,000	1,143	44.25	46,962,400	20.69
100,001 – 11,349,999 (*)	251	9.72	111,109,700	48.95
11,350,000 and above (**)	2	0.08	63,242,000	27.86
Total	**2,583**	**100.00**	**227,000,000**	**100.00**

*REMARK : * - LESS THAN 5% OF ISSUED SHARES*
*** - 5% AND ABOVE OF ISSUED SHARES*

LIST OF HOLDERS WITH HOLDINGS OF 5% AND ABOVE AS AT 10 FEBRUARY 2014

	Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
1	Datuk Amar Abdul Hamed Bin Sepawi	51,000,000	22.47	-	-
2	Online Entertainment Sdn Bhd	12,242,000	5.39	-	-
	Total	**63,242,000**	**27.86**		

STATEMENT OF DIRECTORS' SHAREHOLDINGS
AS AT 10 FEBRUARY 2014

	Name	Direct Interest	% of Issued Capital	Indirect Interest	% of Issued Capital
1	Datuk Amar Abdul Hamed Bin Sepawi	51,000,000	22.47	-	-
2	Dato' Ngiam Foon	100,000	0.04	-	-
3	Dato' Seri Chia Kwang Chye	-	-	-	-
4	Dr. Lim Boh Soon	100,000	0.04	-	-
5	Dato'Sri Haji Mohamed Khalid Bin Yusuf @ Yusup	50,000	0.02	-	-
	Total	**51,250,000**	**22.57**		

Analysis of Shareholdings

as at 10 February 2014
cont'd

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 10 FEBRUARY 2014

NO	NAME	No.of shares	% of shares
1	ABDUL HAMED BIN SEPAWI	51,000,000	22.47
2	ONLINE ENTERTAINMENT SDN BHD	12,242,000	5.39
3	LIM PENG KEONG	8,780,000	3.87
4	KIBARAN HASRAT SDN. BHD.	8,500,000	3.74
5	CHOONG HUCK LIANG	8,386,000	3.69
6	NORLITA BINTI MOHD TAHIR	4,571,900	2.01
7	HO KAN TENG	3,800,000	1.67
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HOOK CHING HUE*	2,417,100	1.06
9	TEOH TEK SIONG	2,000,000	0.88
10	SOW AH FOOK	1,421,000	0.63
11	LEE BOON HAN	1,400,000	0.62
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR HOO YEONG DAR (MK0101)*	1,327,300	0.58
13	GAN MING KUANG	1,300,000	0.57
14	GAN PEI LING	1,300,000	0.57
15	LINDA WANG SIOK KIM	1,297,000	0.57
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR YEO WIN HARN (MK0158)*	1,115,000	0.49
17	ABDUL JABER BIN ABDUL HAFIZ	1,100,000	0.48
18	CHANG YEW CHONG @ CHANG YEW LIN	1,015,000	0.45
19	CHONG CHOON KOI	1,010,000	0.44
20	FAM SHAN - SHAN	1,000,000	0.44
21	FAM SIN NIN	1,000,000	0.44
22	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JEE TAI CHEW (021)*	1,000,000	0.44
23	ROSSANA ANNIZAH BINTI AHMAD RASHID	920,000	0.41
24	CHAN PENG KIAN	900,000	0.40
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *SHAHRUL NADZRI BIN RAMLI*	900,000	0.40
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SEE KOK WAH*	808,800	0.36
27	LAW HOW HOCK	780,000	0.34
28	LOY BOON HOR	750,000	0.33
29	LIM CHOW TSUNG @ LIM KONG MING	707,000	0.31
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHIN FOOK WENG (PENANG-CL)*	703,000	0.31
		123,451,100	54.38

List of Properties

Location/ Address	Description/ Existing Use	Tenure	Land area/ Built-up area (square metres)	Date of Acquisition	Approximate age of Building (Years)	Audited Net Book Value as at 30.09.2013 (RM)
No. 368-4-1, Bellisa Row, Jalan Burmah, 10350 Penang	An office unit held under Hakmilik Stata No. Berdaftar Geran 58485/M1/4/49, No. Petak 49, Tingkat No. 4, Bangunan No. M1, Lot No. 2626, Bandar George Town, Section 1, North East District in the State of Penang/ Vacant	Freehold	268	17/6/2011	13	1,243,667
No. 368-4-2, Bellisa Row, Jalan Burmah, 10350 Penang	An office unit held under Hakmilik Stata No. Berdaftar Geran 58485/M1/4/211, No. Petak 211, Tingkat No. 4, Bangunan No. M1, Lot No. 2626, Bandar George Town, Section 1, North East District in the State of Penang/ Vacant*	Freehold	87	21/12/2011	13	483,333
No. 368-4-3, Bellisa Row, Jalan Burmah, 10350 Penang	An office unit held under Hakmilik Stata No. Berdaftar Geran 58485/M1/4/212, No. Petak 212, Tingkat No. 4, Bangunan No. M1, Lot No. 2626, Bandar George Town, Section 1, North East District in the State of Penang/ Vacant^	Freehold	96	21/12/2011	13	483,333

Notes :-

* *A sale and purchase agreement dated 29 January 2014 has been signed pursuant to the sale of the property.*

^ *A sale and purchase agreement dated 12 February 2014 has been signed pursuant to the sale of the property.*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of SMARTAG SOLUTIONS BERHAD will be held at Hotel Bangi - Putrajaya of off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Thursday, 27 March 2014 at 2.30 pm for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 September 2013 together with Reports of the Directors' and the Auditors' thereon. ***Please refer to Note 7***

2. To approve payment of a sum of RM192,000 as Directors' fees for the financial year ended 30 September 2013. ***Ordinary Resolution 1***

3. To re-elect Dato' Seri Chia Kwang Chye who is retiring pursuant to Article 88 of the Articles of Association of the Company. ***Ordinary Resolution 2***

4. To re-elect Dato' Ngiam Foon who is retiring pursuant to Article 88 of the Articles of Association of the Company. ***Ordinary Resolution 3***

5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

As Special Business

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

6. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

   "THAT, pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being and that the directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force 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. " ***Ordinary Resolution 5***

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
TAN WEE SIN (MAICSA 7044797)
Company Secretaries

Selangor Darul Ehsan
Date : 4 March 2014

Notice of Annual General Meeting
cont'd

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 and the provisions of Section 149(1)(b) of the Act shall not apply to the Company,*

2. *Where a member appoints more than one proxy to attend at the same meeting, the instrument of proxy must specifies the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote on a show of hands and only one (1) of those proxies is entitled to vote on a show of hands.*

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 Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting and any adjournent thereof.*

6. *In respect of deposited securities, only a members whose names appear on the Record of Depositors on 20 March 2014 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 meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval from shareholders of the Company and hence, Agenda 1 is not put forward for voting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 5
- ***Resolution pursuant to Section 132D of the Companies Act, 1965***

The Company had, during its Eighth Annual General Meeting held on 11 March 2013, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 5 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital (excluding treasury shares, if any) of the Company for such purpose as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s) and/or working capital.

This page has been intentionally left blank.

SMARTAG SOLUTIONS BERHAD (639421-X)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No. of shares held	

I/We, _____ IC No./ID No./Company No. _____

of _____

being a member of SMARTAG SOLUTIONS BERHAD hereby appoint _____

_____ IC No./ID No. _____ of _____

_____

or failing him/her, _____ IC No./ID No. _____

of _____

or failing him/her, *the Chairman of the Meeting as my/our proxy to vote and act for me/us, and on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Hotel Bangi - Putrajaya of off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Thursday, 27 March 2014 at 2.30 pm 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	Approval of payment of a sum of RM192,000 as Directors' fees for the financial year ended 30 September 2013		
Ordinary Resolution 2	Re-election of Dato' Seri Chia Kwang Chye as Director		
Ordinary Resolution 3	Re-election of Dato' Ngiam Foon as Director		
Ordinary Resolution 4	Re-appointment of Messrs Baker Tilly Monteiro Heng as the Company's Auditors and to authorise the Directors to fix their remuneration		
Ordinary Resolution 5	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		

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:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

_____
Signature/Common Seal

Date: _____

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 and the provisions of Section 149(1)(b) of the Act shall not apply to the Company,*
2. *Where a member appoints more than one proxy to attend at the same meeting, the instrument of proxy must specifies the proportions of his shareholdings to be represented by each proxy. He must also specify which proxy is entitled to vote on a show of hands and only one (1) of those proxies is entitled to vote on a show of hands.*
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 Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting and any adjournment thereof.*
6. *In respect of deposited securities, only a members whose names appear on the Record of Depositors on 20 March 2014 shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/vote on his behalf.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

THE COMPANY SECRETARY
SMARTAG SOLUTIONS BERHAD (639421-X)

4808-1-26, CBD Perdana 2,
Persiaran Perdana,
63000 Cyberjaya,
Selangor, Malaysia.

1st Fold Here