



**MINORITY SHAREHOLDERS WATCH GROUP**  
Shareholder Activism and Protection of Minority Interest

20 December 2019

**BY FAX/HAND**

(Fax No: 603- 2282 5022)

The Board of Directors  
**SMTrack Berhad**  
Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur

**Attention: Ms. Wong Youn Kim**  
**Company Secretary**

Dear Directors,

**Re: 14<sup>th</sup> Annual General Meeting ("AGM") of SMTrack Berhad ("SMTrack" or the "Company") to be held on Friday, 27 December 2019**

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In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

**Strategy & Financial Matters**

1. The acquisition of Citilink Aviation (M) Sdn Bhd ("Citilink") will enable SMTrack to venture into Air Carriage Services and is envisaged to have a new stream of income (page 5 of Annual Report 2019 ("AR2019")). The Group is positive that with the acquisition, its revenue will be enhanced in future (page 6 of AR2019).
  - (a) What is the estimated percentage revenue contribution by Citilink to the Group, going forward?
  - (b) In view that Citilink is involved in aviation and following the completion of the acquisition, what is the estimated capital expenditure to be incurred by Citilink for the financial year ending 2020 and in the next 3 years?

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**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

(Incorporated in Malaysia • Company Registration No.: 20-0001022382 (524989-M))  
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2. The licensing agreement was terminated on 27 July 2017 and the said Vendor had agreed to refund the entire purchase consideration of RM2,200,000 (Note 9 (b), page 89 of AR2019). Current receivables from the computer software vendor amount to RM2.2 million (2018: RM2.2 million) (Note 10, page 90 of AR2019).

It has been slightly more than 2 years since the termination of the licensing agreement. What is the reason that the Vendor has not refund the RM2.2 million?

3. The Joint Venture Agreements were terminated on 28 July 2017 by mutual consent, and the outstanding amount of approximately RM4.9 million will be settled via contra of properties. (Note 11, page 91 of AR2019)

(a) To-date, has the outstanding amount of approximately RM4.9 million been settled?

(b) How many properties are expected to be received by the Company in exchange for the settlement?

4. The Company has been granted the Multimedia Super Corridor (MSC) status with Pioneer Status tax incentive for 5 years commencing from 11 July 2013. The extension of the Pioneer Status for the Company for a further 5 years till 11 July 2018 had also been approved by the relevant authorities (Note 23, page 98 of AR2019)

With the expiry of the Company's Pioneer Status, will SMTrack no longer enjoy tax incentives, going forward. Otherwise, please clarify on the status of the Company's Pioneer Status.

5. On 13 September 2018, the Company and VF Tech Sdn Bhd had entered into a Termination Agreement to mutually terminate the Collaboration Agreement dated 29 January 2018 (Note 29 (ii), page 114 of AR2019).

Smart Marine Tech Sdn Bhd was incorporated in relation to the Collaboration Agreement between the Company and VF Tech Sdn Bhd. What are the Company's plans for Smart Marine Tech Sdn Bhd, going forward?

### **Corporate Governance Matters**

1. Practice 4.3 – The board has a policy which limits the tenure of its independent directors to nine years.

SMTrack's response: Adopted

*"The Board has laid down in its Board Charter that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director.*

*If the Board desires to retain an Independent Director beyond nine (9) years, upon recommendation of the Nomination Committee, it should justify and seek annual shareholders' approval.*

*If the Board continues to retain the independent director after the twelfth (12th) years, the Board should seek annual shareholders' approval through a Two-Tier Voting Process." (page 14 of Corporate Governance Report)*

MSWG's Comment:

This is contrary to Step Up 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs.

Please take note.

2. Directors Remuneration (page 18 of AR2019):
  - (a) Ms. Ng Swee Tuo was appointed on 21 June 2019. Her director-fee for the financial year ended 31 July 2019 was RM10,000. To which period does the RM10,000 director-fee relate to?
  - (b) Mr. Terence Cheah Eu Lee was appointed on 20 March 2019 and resigned on 20 August 2019. Why was there no directors fee paid to Mr. Terence Cheah Eu Lee?
  - (c) Mr. Zheng, ZhuoXuan resigned on 25 March 2019. Why was there no directors fee paid to Mr. Zheng, ZhuoXuan?

3. Ordinary Resolution 1 - To approve the additional payment of Directors' fees of RM202,000 for the financial year ended 31 July 2019 (page 118 of AR2019).

Please explain the reason for the additional payment of Directors' fees of RM202,000 for the financial year ended 31 July 2019. To which directors are the RM202,000 payable?

4. Directors' Continuous Professional Development (page 20 of AR2019) – What were the trainings attended by En. Azmi Bin Osman and Datuk Tan Choon Hwa for the financial year ended 31 July 2019?

5. The total cost incurred by the Internal Audit function of the Group for the financial year ended 31 July 2019 amounted to RM4,000 (page 24 of AR2019).

What was the internal audit work carried out by the Internal Auditors for FYE2019 which cost RM4,000?

6. Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the companies' website. As at 19 December 2019, the Company has not published the summary of Key Matters Discussed at its AGM held in 2018 onto its website.

Please explain.

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



**Devanesan Evanson**  
Chief Executive Officer  
DE/ECYL/SMTRACK/AGM 2019