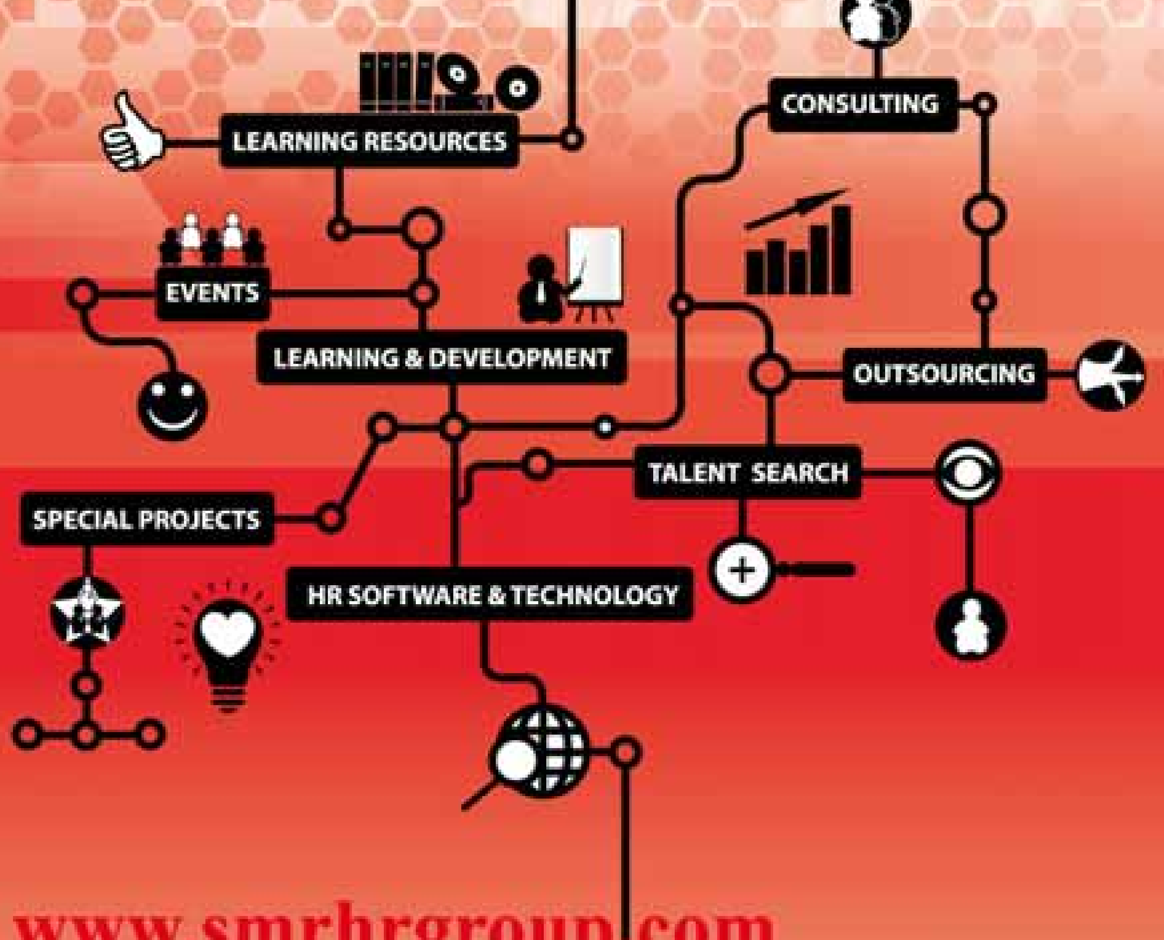
Technology-Driven INTEGRATED HRD Solutions



www.smrhrgroup.com

SMR Technologies Berhad (659523-T)
Suite 2A-23-1, Block 2A, Level 23
Plaza Sentral, Jalan Stesen Sentral 5
KL Sentral, 50470 Kuala Lumpur, Malaysia

Phone : (603) 2279 9199
Fax : (603) 2279 9099

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www.smrhrgroup.com

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SMR Technologies Berhad (659523-T)

POWERING BUSINESS RESULTS

THROUGH

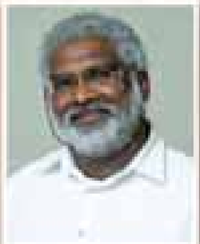
TECHNOLOGY-DRIVEN INTEGRATED HRD SOLUTIONS

ANNUAL REPORT

2011

BOARD OF DIRECTORS

Dato' Dr R Palan
Chairman & Chief Executive Officer



Dr Nadarajah Manickam
(Dr Nat)
Executive Director

Tuan Haji Ishak Bin Hashim
Independent, Non-Executive Director

Leow Nan Chye
Independent, Non-Executive Director

Malayandi@ Kalaiarasu
Independent, Non-Executive Director

KEY MANAGEMENT TEAM

1.	**Karen Ong**	Director & Master Trainer
2.	**Jimmy Ong**	Senior Consultant
3.	**A. Subramanian**	Deputy Chief Executive Officer
4.	**Muhammad Rizal**	Senior Consultant
5.	**Azaath Samsudeen**	Senior Manager (Business, Government & Community)
6.	**Lily Zalina**	Senior Manager, Operations (Special Projects)
7.	**Michael J Hughes**	Project Manager, English Language Training (ELT)
8.	**R. Muralidharan**	Chief Technology Officer
9.	**Foo Phui Foong**	Manager, Finance
10.	**Annie Chew**	Executive Assistant, Chairman & CEO's Office

COUNTRIES (We have worked on projects in the following countries)

SOUTH EAST ASIA
1. Brunei
2. Indonesia
3. Laos
4. Malaysia
5. Myanmar
6. Philippines
7. Singapore
8. Thailand
9. Vietnam
10. Cambodia

SOUTH ASIA
11. India
12. Maldives
13. Pakistan
14. Sri Lanka

EAST ASIA
15. China
16. Hong Kong
17. Taiwan

NORTH ASIA
18. Japan
19. South Korea

WEST ASIA
20. Bahrain
21. Oman
22. Qatar
23. Kuwait
24. Saudi Arabia
25. UAE

ASIA PACIFIC
26. Australia

NORTH AMERICA
27. Canada
28. USA

EUROPE
29. France
30. Germany
31. Netherlands
32. Russia
33. Switzerland
34. Turkey
35. UK

AFRICA
36. Mauritius
37. Sudan
38. South Africa

PARTIAL LIST OF 25 KEY CUSTOMERS (Recent)

Malaysia
- Exxon Mobil Malaysia Sdn. Bhd.
- GCH Retail (M) Sdn. Bhd. (GIANT)
- MIMOS Berhad
- Proton Edar
- Ministry of Education
- Ministry of Human Resources
- Petrofac (M) Ltd
- Petronas
- Syarikat Air Johor Holdings (SAJH)

Brunei
- Authority for Info Communication Technology Industry of Brunei Darussalam (AITI)
- DST Communications Sdn. Bhd.

India
- International Flavours & Fragrances India Pvt Ltd
- Infosys BPO Ltd
- TVS Sundram Iyengar & Sons Ltd

Bahrain
- Ministry of Works
- Tamkeen (Bahrain Labour Fund)

Qatar
- Qatar Foundation
- Supreme Council of Health

Saudi Arabia
- Al-Gassim Agricultural Company
- Rabigh Refining & Petrochemicals Co. (PetroRabigh)

United Arab Emirates
- Abu Dhabi Polymers Company Limited (Borouge)
- Ministry of Interior (Abu Dhabi Police GHQ)
- National Drilling Company

Sudan
- Petrodar Operating Co.
- Zain SD

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NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Company will be held at The Gardens, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Thursday, 7 June 2012 at 10.00 a.m. for the following purposes :

AGENDA

ORDINARY BUSINESS :

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2011. **Resolution 2**

3. To re-elect Mr Leow Nan Chye who retires in accordance with Article 94 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 3**

4. To re-elect Mr Malayandi @ Kalaiarasu who retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 4**

5. To re-appoint Tuan Haji Ishak Bin Hashim who retires pursuant to Section 129(2) of the Companies Act, 1965 and being eligible, offers himself for re-appointment. **Resolution 5**

6. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without modifications, the following Ordinary Resolutions :

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **Resolution 7**

   "THAT subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company at any time to such persons 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 does not exceed 10% of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 8**

   "THAT the Company and its subsidiaries shall be mandated to enter into the category of recurrent related party transactions of a revenue or trading nature which are necessary for the day to day operations as set out in the Circular/Statement to Shareholders dated 16 May 2012 subject to the following :

   (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; and

   (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year including amongst others, the following information :

(i) the type of recurrent related party transaction and;

(ii) the names of the related parties involved in each recurrent party transaction entered into and their relationship with the Company;

AND THAT such approval shall continue to be in force until :

(a) the conclusion of the next AGM of the Company; or

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(l) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by ordinary resolution passed by the shareholders at a General Meeting;

whichever is the earlier,

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the transactions contemplated and/or authorised by this ordinary resolution."

9. **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** **Resolution 9**

"THAT subject to the compliance with Section 67A of the Companies Act, 1965 and all other applicable laws, rules and regulations, approval be and is hereby given to the Company to purchase such amount of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing issued and paid-up ordinary share capital of the Company including the shares previously purchased and retained as Treasury Shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits and share premium account of the Company, upon such terms and conditions as set out in the Circular/Statement to Shareholders dated 16 May 2012.

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of Bursa Securities ACE Market Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as Treasury Shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Bursa Securities ACE Market Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

NOTICE OF EIGHTH ANNUAL GENERAL MEETING
cont'd

ANY OTHER BUSINESS :

10. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
YIP SIEW CHENG (MAICSA 7006780)
Company Secretaries

Kuala Lumpur
Dated : 16 May 2012

NOTES :

1. *A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*

3. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.*

4. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Suite 2A-23-1, Block 2A, Level 23, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

5. *Only depositors whose names appear in the Record of Depositors as at 31 May 2012 be regarded as members and entitled to attend and vote at the meeting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS :

1. *Ordinary Resolution 7 – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965*

   The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Seventh Annual General Meeting of the Company held on 2 June 2011 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting.

   The general mandate granted by the shareholders at the Seventh Annual General Meeting of the Company held on 2 June 2011 have been utilised via a private placement exercise which have been completed on 5 August 2011, where 14,666,000 new ordinary shares of RM0.10 each have been issued. The proceeds of RM1,950,578 raised from the private placement exercise had been fully utilised in the following manner :

	RM
Proceeds from Private Placements	*1,950,578*
Utilisations :	
- Payment of employee's salaries	*943,000*
- Payment to creditors	*788,000*
- Expenses for advertising and promotional activities	*150,000*
- Expenses for the Proposed Private Placement	*63,886*
Total	*1,944,886*

NOTICE OF EIGHTH ANNUAL GENERAL MEETING
cont'd

The general mandate for the issue of shares 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 future investment, working capital and/or acquisition(s).

2. *Ordinary Resolution 8 – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature*

   The proposed Ordinary Resolution 8 is intended to enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations to facilitate transactions in the normal course of business of the Company with the specified classes of related parties, provided that they are carried out on an arms' length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

   Please refer to the Circular/Statement to Shareholders dated 16 May 2012 for further information.

3. *Ordinary Resolution 9 – Proposed Renewal of Authority for Share Buy-Back*

   The proposed Ordinary Resolution 9 is intended to allow the Company to purchase its own shares up to 10% of the total issue and paid-up share capital of the Company at any time within the time period stipulated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Please refer to the Circular/Statement to Shareholders dated 16 May 2012 for further information.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

1. The Directors seeking re-election/re-appointment at the Eighth Annual General Meeting of the Company pursuant to:

   1.1 Article 94 of the Company's Articles of Association
   Mr Leow Nan Chye

   1.2 Article 101 of the Company's Articles of Association
   Mr Malayandi @ Kalaiarasu

   1.3 Section 129(2) of the Companies Act, 1965
   Tuan Haji Ishak Bin Hashim

   The profiles of the Directors seeking re-election/re-appointment are set out on pages 13 and 15 of this Annual Report.

2. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 December 2011 are disclosed in the Statement on Corporate Governance set out on page 23 of this Annual Report.

3. The details of the Eighth Annual General Meeting are as follows :
   The Gardens, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Thursday, 7 June 2012 at 10.00 a.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Palaniappan A/L Ramanathan Chettiar
("Dato' Dr R Palan")
Chairman & Chief Executive Officer

Dr Nadarajah A/L Manickam *("Dr Nat")*
Executive Director

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Leow Nan Chye
Independent Non-Executive Director

Malayandi @ Kalaiarasu
Independent Non-Executive Director

AUDIT COMMITTEE

Leow Nan Chye
Chairman & Senior Independent Non-Executive Director

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Malayandi @ Kalaiarasu
Independent Non-Executive Director

NOMINATION COMMITTEE

Tuan Haji Ishak Bin Hashim
Chairman & Independent Non-Executive Director

Leow Nan Chye
Independent Non-Executive Director

REMUNERATION COMMITTEE

Tuan Haji Ishak Bin Hashim
Chairman & Independent Non-Executive Director

Leow Nan Chye
Independent Non-Executive Director

Dr Nadarajah A/L Manickam
Executive Director

AUDITORS

Baker Tilly Monteiro Heng *(AF 0117)*
Chartered Accountants
22-1, Monteiro & Heng Chambers
Jalan Tun Sambanthan 3
50470 Kuala Lumpur

COMPANY SECRETARIES

Wong Youn Kim *(MAICSA 7018778)*
Yip Siew Cheng *(MAICSA 7006780)*
HMC Corporate Services Sdn Bhd
24-3, Jalan Tun Sambanthan 3
50470 Kuala Lumpur

REGISTERED & CORPORATE OFFICE

Suite 2A-23-1, Block 2A, Level 23
Plaza Sentral, Jalan Stesen Sentral 5
50470 Kuala Lumpur
Telephone No. : 603 - 2279 9199
Fax No. : 603 - 2279 9099

PRINCIPAL BANKERS

Malayan Banking Berhad
AmBank (M) Berhad

SOLICITOR

Kadir Andri & Partners
8th Floor, Menara Safuan
80, Jalan Ampang
50450 Kuala Lumpur

REGISTRAR

Insurban Corporate Services Sdn Bhd
149 Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Telephone No. : 603 - 7729 5529
Fax No. : 603 - 7728 5948

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
ACE Market

Stock name : SMRTECH
Stock code : 0117

CORPORATE WEBSITE

www.smrhrgroup.com

GROUP CORPORATE STRUCTURE

SMR Technologies Berhad

- **SMR HR Technologies Sdn. Bhd.** 100%
  (Co. No. 537793-T)
  - **SMR HR Technologies Pvt. Ltd** 98%
    (Co. No. U72900TN2011PTC079413)
- **SMR Events Sdn. Bhd.** 100%
  (FKA SMR HR Services Sdn. Bhd.)
  (Co. No. 751839-P)
- **SMR Films Sdn. Bhd.** 100%
  (FKA SMR Services Sdn. Bhd.)
  (Co. No. 790178-K)
- **SMR HR Group Sdn. Bhd.** 100%
  (Co. No. 177552-M)
- **Agensi Pekerjaan SMR Talent Search Sdn. Bhd.** 100%
  (Co. No. 880494-K)
- **SMR Gulf W.L.L.** 99%
  (Co. No. 70535)

BUSINESS OBJECTIVE

The objective of the SMR Tech Group is to provide a one-stop technology centre for human capital development in the digital age through three (3) key initiatives which are as follows:-

(i) to develop a human capital competency development and related software tools;

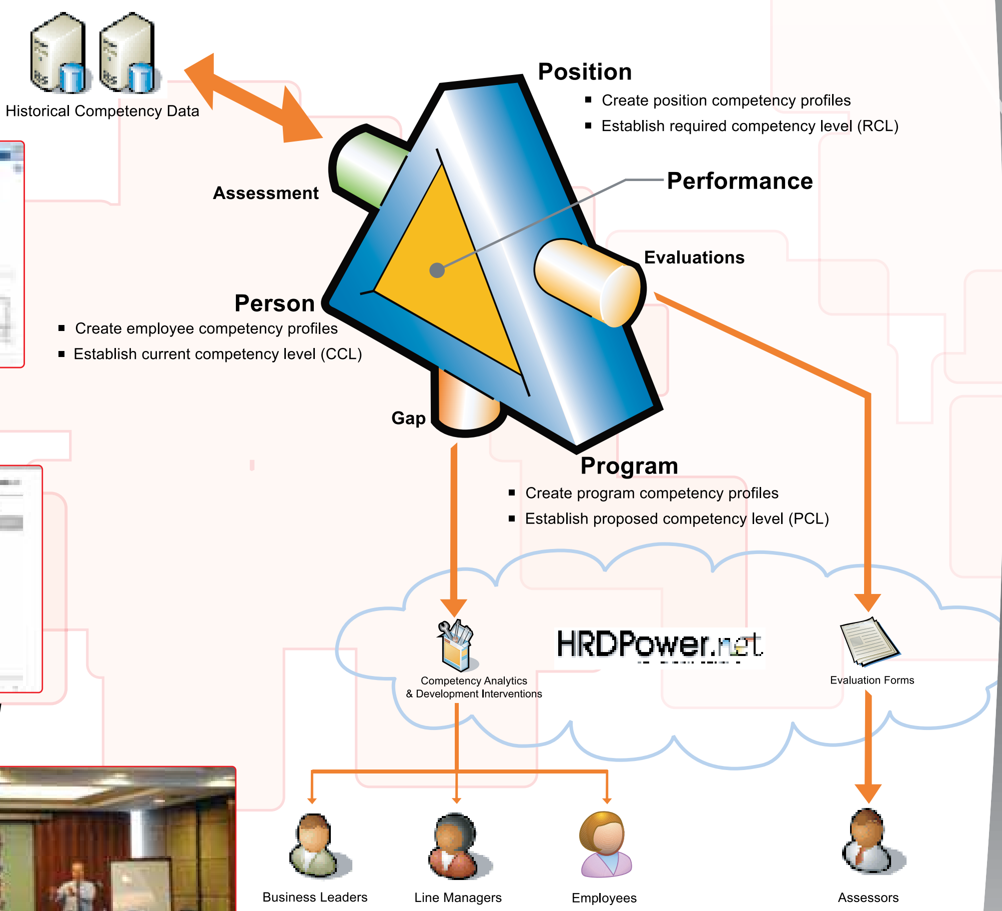
(ii) to provide related services such as implementation consultancy, web services and HR outsourcing; and

(iii) to provide an integrated HR service with Executive Search, Training and products.

Overview Of Products And Services

- HR Software & Technology
- Consulting & Outsourcing
- Learning Development & Learning Resources
- HR Events
- Talent Search
- Special Projects

SMR's PAGE™ Framework



HRD Power-DashBoard

Employee Position Match Graph

Special Projects

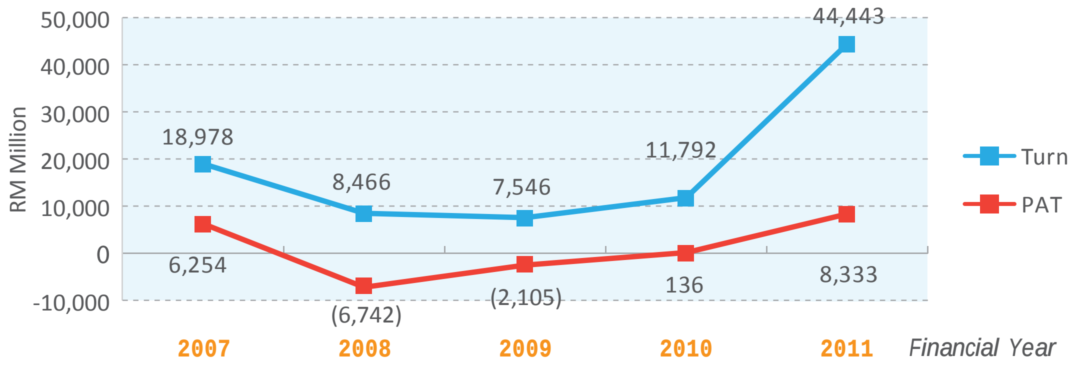
CORPORATE HIGHLIGHTS

FINANCIAL HIGHLIGHTS
(Continuing Operations)

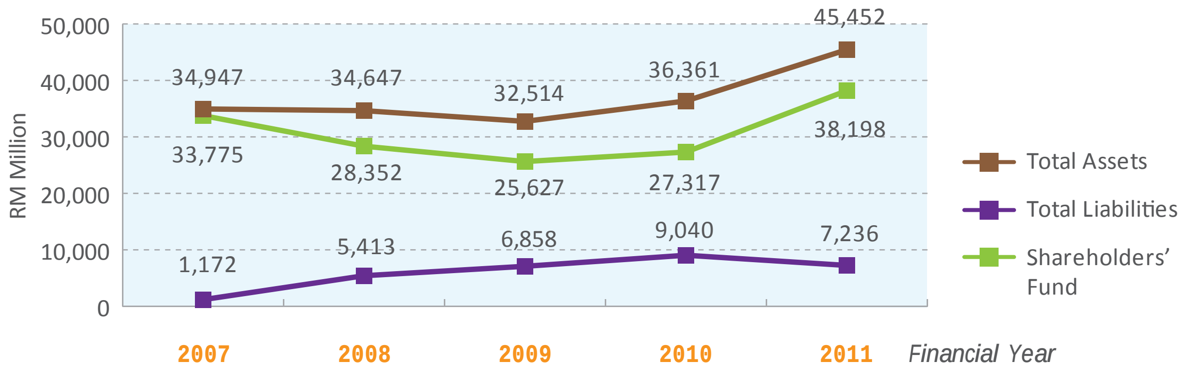
	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000
COMPREHENSIVE INCOME					
Revenue	**44,443**	11,792	7,546	8,466	18,978
Profit/(Loss) before tax	**8,831**	387	(1,912)	(6,753)	6,446
Profit/(Loss) after tax	**8,333**	136	(2,105)	(6,742)	6,254
KEY FINANCIAL POSITIONS					
Total Assets	**45,452**	36,361	32,514	34,647	34,947
Total Liabilities	**7,236**	9,040	6,858	5,413	1,172
Cash & Cash equivalents	**3,455**	738	1,158	593	2,026
Total borowings	**4,795**	4,360	2,628	2,034	304
Issued and paid up Capital	**16,143**	14,667	13,333	13,333	10,000
Shareholders' Fund	**38,198**	27,317	25,627	28,352	33,775
SHARE INFORMATION					
Net Earnings per share (Basic) (sen)	**5.45**	0.19	(1.58)	(6.41)	6.25
Net Earnings per share (Diluted) (sen)	**5.39**	-	-	-	-
Net Assets per share (sen)	**23.66**	18.63	19.24	21.26	33.78
Market Capitalisation	**28,251**	11,733	9,333	14,667	21,400
Share price as at 31st Dec	**0.175**	0.080	0.070	0.110	0.214
FINANCIAL RATIOS					
Return on total asset (%)	**19%**	1%	(6%)	(19%)	18%
Gearing ratio (times)	**0.04**	0.13	0.06	0.05	(0.05)
Price to earnings ratio (times)	**3.21**	42.11	(4.43)	(1.72)	3.42

CORPORATE HIGHLIGHTS
cont'd

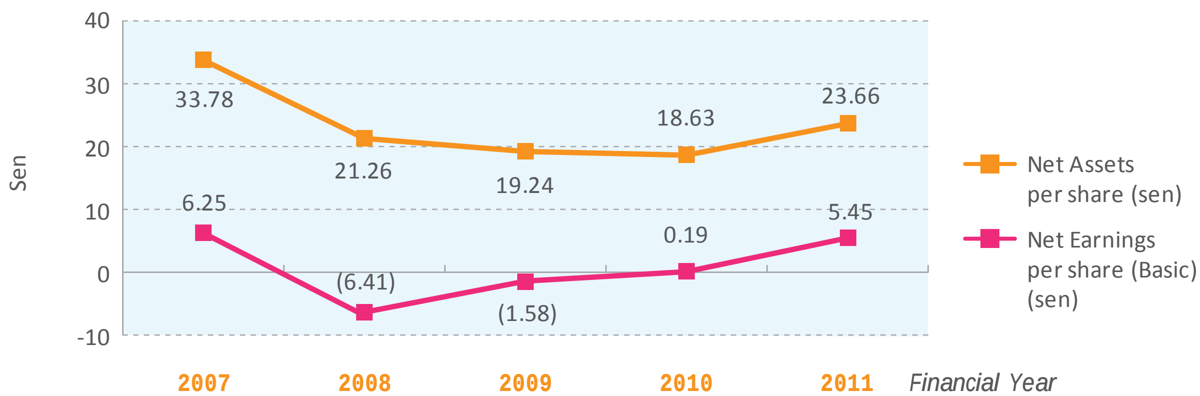
REVENUE & PROFIT AFTER TAX



TOTAL ASSETS, TOTAL LIABILITIES & SHAREHOLDER'S FUND



EARNINGS PER SHARE & ASSETS PER SHARE



CORPORATE HIGHLIGHTS
cont'd

CORPORATE DEVELOPMENT

The following are some of the major corporate developments during the year:

30 March 2011	The company acquired 495 ordinary shares of BHD100 each, representing 99% of the total issued and paid up share capital of SMR Gulf W.L.L from SMR HR Technologies Sdn Bhd, a wholly-owned subsidiary of SMRTECH, for a total cash consideration of BD49,500 only.
19 May 2011	SMR HR Technologies Sdn Bhd acquired 9,800 ordinary shares of Rupees (Rs) 10 each, representing 98% of the total issued and paid-up share capital of SMR HR Technologies Pvt Ltd, India from R. Muralidharan and S. Bharath for a total cash consideration of Rupees (Rs) 9,800 (equivalent to RM6,821.78)
5 May 2011	SMR HR Technologies Sdn Bhd entered into a contract for Competency Assessment Project with Rabigh Refining and Petrochemical company to develop and conduct competency assessment using HRDPower software in the Kingdom of Saudi Arabia. The contract sum is USD490,000.00 equivalent to approximately RM1,500,000.00
1 June 2011	SMR HR Technologies Sdn Bhd through its marketing partner SMR Links HR Consultants secured a contract for Consultancy for Competency and Talent Management Project with Abu Dhabi Polymers Company Limited (Borouge) in Abu Dhabi, UAE for the implementation of HRDPower Driven Competency and Talent Management System. The contract sum is USD1,425,000.00 equivalent to approximately RM4,338,000.00.
26 August 2011	The Company completed the Disposal of 100% equity interest in SMR Singapore Pte Ltd comprising of 2 ordinary shares of S$1.00 each to Ong Tong It Anthony for a total cash consideration of S$2.00, equivalent to approximately RM5.00 based on the exchange rate of S$1.00 to RM2.50 as at 25 August 2011. The disposal resulted in SMR Singapore Pte Ltd ceasing to be a wholly-owned subsidiary of the company.
5 August 2011	The company completed the private placement with the listing of 14,666,000 ordinary shares of RM0.10 each.
25 October 2011	SMR HR Services Sdn Bhd, a wholly-owned subsidiary of SMRT changed its company name to SMR Events Sdn Bhd.
16 December 2011	SMR Services Sdn Bhd, a wholly-owned subsidiary of SMRT changed its company name to SMR Films Sdn Bhd
22 December 2011	SMR HR Group Sdn Bhd awarded and accepted a Letter of Award from Pembangunan Sumber Manusia Berhad, Kementerian Sumber Manusia to implement a training programme known as Accelerated Skills Enhancement Training Programme (ASET). The contract sum is RM14,000,000.00 for One (1) year.

PROFILE OF DIRECTORS

DATO' DR R PALAN
B.Sc., M.A., Ph.D., A.P.T., FBILD (UK), J.B.K. (Kuching), D.P.M.P. (Perak)
Chairman & CEO

DATO' DR R PALAN, a Malaysian, aged 56, Chairman and Chief Executive Officer of SMR Technologies Berhad is the Founder of the Group. He was appointed to the Board on 13 August 2004.

Dato' Dr R Palan, the brand ambassador for the group is recognised internationally for his expertise in human resources development, particularly workforce education. A prolific author, he has authored over 12 books in the HRD field. As an educator, he has developed creative FUN tools to accelerate learner retention. The proprietary PAGE framework and a host of other intellectual properties have been created by him for the group. Dato' Dr R Palan has a strong business and technological orientation. He pioneered the development of the Group's flagship product: HRDPower™ software system.

With valuable experience gained in several leadership positions in different countries and industries, he has carved a thought leader position for himself and the organisation in the HR field. This has given him the opportunity to speak at several international conferences around the world and the unique opportunity to promote the organisational brand. His strong on-line presence is reflected through blogs, websites, social media sites and his e news that has attracted thousands.

A dedicated technopreneur, Dato' Dr R Palan comes from a family that has always been in business. As a committed professional, he has been engaged in lifelong learning. Dato' Dr R Palan studied at the University of Madras, University of Leicester, U.K., California Coast University, University of California, Los Angeles, Harvard Business School and National Training Laboratories, UK. The British Institute of Learning & Development honoured him by making him a Fellow of the Institute. Dato' Dr R Palan received title Johan Bintang Kenyalang (J.B.K.) in recognition of his contribution from the Government of Sarawak in year 2010. In 2011, he received the Darjah Dato' Paduka Mahkota Perak (D.P.M.P) award carrying the title "Dato'" from DYMM Paduka Seri Sultan Perak Sultan Azlan Muhibbuddin Shah Ibni Alrmarhum Sultan Yussuf Izzuddin Shah Ghafarullahu-Lah.

Dato' Dr R Palan has been appointed as a Director of the Human Resources Development Corporation (Pembangunan Sumber Manusia Berhad) by the Honourable Minister of Human Resources, Government of Malaysia. He has also served as the Chairperson of the Working Committee on HRD, ASEAN Chamber of Commerce & Industry. He founded the Asia HRDCongress, Asia's premier event for HR professionals.

Dato' Dr R Palan attended all the four Board meetings held during the financial year ended 31 December 2011. He has no directorship in other public company. He has no family relationship with any Director. He is a substantial shareholder and Director in Special Flagship Holdings Sdn Bhd who is a substantial shareholder of the Company. Other than those disclosed in Note 11 on Page 31 (Recurrent Related Party Transactions of a revenue or trading nature) of this Annual Report, he has no conflict of interest with the Company. He has never been charged for any offence (other than traffic offences, if any) within the past 10 years. Details of his shareholdings in the Company are shown in the "Analysis of Shareholdings" section of this Annual Report.

DR. NADARAJAH MANICKAM
Executive Director

DR. NADARAJAH MANICKAM, a Malaysian, aged 58 is the Executive Director and Technical Director of SMR Technologies Berhad and was appointed to the Board on 17 December 2004. Dr. Nat has a B.Sc. from the Madras University, India and a MA and Ph.D. from the Jawaharlal Nehru University (JNU), New Delhi, India. He has also attended a communication training programme at the Communication Foundation of Asia (CFA), Manila in 1983. He has been an awardee of research fellowships from the University Grants Commission (UGC), India and the Nippon Foundation, Japan. Among his key interest areas is the social impact and use of new technologies for human resources development.

Dr. Nat, as he is fondly known in the industry, has over 30 years experience in the field of communications and learning and has worked with the television, film and advertising industry and contributed to web and e-learning initiatives. He contributed to the pioneering effort in the initial set up of Asianet, a satellite pay television station based in Trivandrum, India that was incorporated in 1991 and that has now become a global venture.

Dr. Nat has worked on the design and development of e-learning and communication services/products for Asianet (India), Cahayasuara Communications Centre (Malaysia), Asian Communication Network (Thailand), Public Media Agency (Malaysia) and Signis (Belgium). He has also helped form a number of web communities/discussion groups/ blogs, including one for UNEP (Paris). Presently, he is helping the Asian Public Intellectuals (API, a community initiated by the Nippon Foundation) facebook initiative. He contributed to the design and development of HRDWebvarsity, SMR's online e-learning institution and has produced multimedia programmes for it. He has worked for the last ten (10) years promoting directly and indirectly web-related learning and communication.

PROFILE OF DIRECTORS
cont'd

An avid believer in the new information and communication technologies (ICT) and variety of software applications, Dr. Nat is certainly a promoter of the IT industry. He focuses on software concept development with emphasis on functions, community-building web technologies, organisational intranet and portal development for enabling business and community processes and all areas of communication. He is very much involved in technology projects planning and implementation and pays attention to the social impact and use of new technologies particularly in the HRD area. His interest in research and study of the development of HR technology for HRD purposes is the basis of his leadership of the R&D team for the Group.

He is also concerned with corporate social responsibility to the community at large. In relation to this, he leads the CSR efforts of the group, which is primarily concerned with the building of social capital beneficial for all Malaysians. He is also very focussed on business-related quality processes and audit. He himself is involved, on a voluntary basis with initiatives in the areas of philanthropy, peace, communication and sustainable development.

He attended three out of four Board meetings held during the financial year ended 31 December 2011. Dr Nat has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and never been charged for any offence (other than traffic offences, if any) within the past 10 years. Details of his shareholdings in the Company are shown in the "Analysis of shareholdings" section of this Annual Report.

HAJI ISHAK BIN HASHIM
Independent Non-Executive Director

HAJI ISHAK BIN HASHIM a Malaysian, aged 70, an Independent Non-Executive Director, was appointed to the Board of SMR Technologies Berhad on 5 October 2005. Haji Ishak is the Chairman of the Nomination Committee and Remuneration Committee as well as a member of the Audit Committee of the Company.

Haji Ishak graduated with a Masters Degree in Education from Stanford University, USA in 1972 and has a Bachelor of Arts (Hons) degree from University Malaya in 1967. He started his career serving the Ministry of Education as a teacher, Secondary School Headmaster and an Education Officer for thirteen (13) years before embarking into the private sector holding various senior HRD and administrative positions in several public listed companies such as Malaysian Tobacco Company Ltd, Malayan Banking Berhad, Tractors Malaysia Berhad, Boustead Holdings Berhad, Iris Berhad and Affin Bank Berhad.

Haji Ishak, who has also served as a councillor for the Shah Alam Town Council (1983) - 1987), Chairman of Koperasi Tunas Muda (KTM) Penang (1999 - 2001) and Chairman of TAP Resources Berhad (2000 - 2001) is a fellow of the Malaysian Institute of Human Resources Malaysia (MIHRM) where he was also the President from 1985 to 1987.

With his valuable experience and exposure to high level management processes, Haji Ishak, who is currently a consultant in Human Capital and Organisational Development, would be able to groom and support the other Directors and Management of the Company.

He attended three out of four Board meetings held during the financial year ended 31 December 2011. He has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence (other than traffic offences, if any) within the past 10 years. Details of his shareholdings in the Company are shown in the "Analysis of shareholdings" section of this Annual Report.

LEOW NAN CHYE
Independent Non-Executive Director

LEOW NAN CHYE a Malaysian, aged 54, an Independent Non-Executive Director, was appointed to the Board of SMR Technologies Berhad on 5 October 2005. Mr Leow is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

Mr Leow is an accountant by profession and graduated from Tunku Abdul Rahman College and obtained the professional qualification from the Chartered Institute of Management Accountants, United Kingdom. He is a member of the Malaysian Institute of Accountants (MIA) and has over twenty (20) years experience in various companies involved in property development, resorts and golf, manufacturing and investment holding. Mr Leow was previously attached to Malaysian General Investment Corporation Bhd., KAB Group, Tanming Group, Negara Properties Sdn Bhd and Formosa Prosonic Industries Sdn Bhd.

He attended all the four Board meetings held during the financial year 31 December 2011. He has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence (other than traffic offences, if any) within the past 10 years.

PROFILE OF DIRECTORS
cont'd

MALAYANDI @ KALAIARASU
Independent Non-Executive Director

MALAYANDI @ KALAIARASU a Malaysian, aged 25, an Independent Non-Executive Director, was appointed to the Board of SMR Technologies Berhad on 17 June 2011. He was appointed as a member of Audit Committee on 24 August 2011.

Mr Kalaiarasu is a qualified technical engineer. He completed his Bachelors in Engineering and Computing from University of Nottingham Trent at Nottingham City, UK. Over the last four years, he has had intensive experience working in Singapore and Malaysia for reputed customers on IT projects. He brings the technology expertise and connects with the future of computing at the board level on an independent basis.

He currently works with Avanade, Accenture subsidiary. Prior to this he worked with an American multinational Jabil and prior to that with Mahindra Satyam, a global IT company. His current work is in the Oil and Gas industry with particular focus on SHELL IT.

He has worked on several development projects that included SharePoint Portal, SAP EP and .net. He gained much global experience and exposure as users in Jabil, a global American firm are from all over the world, in various locations of Jabil.

Mr Kalaiarasu has also worked with the Ministry of Health in Singapore working on the MOH Intranet, a web based portal. It is to serve as a staff resource, mapping various information sources, staff services and people contacts to improve convenience and work productivity for staff. MOH Intranet also enhances user engagement by facilitating communications, collaboration and sharing information through tools such as Wikis, Blogs and RSS.

Mr Kalaiarasu has no directorship in other public company. He is nephew of the spouse of Dato' Dr Palaniappan, the Chief Executive Officer of the Company. He has no conflict of interest with SMRT and has never been charged for any offence (other than traffic offences, if any) within the past 7 years.

Mr Kalaiarasu attended all two Board Meeting held during his tenure in the financial year 2011.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Financial Statements of SMR Technologies Berhad (“SMRTECH”) for the financial year ended 31 December 2011.

PERFORMANCE REVIEW

2011 was a remarkable year for SMRTECH.

Focusing on high value HRD projects, the group achieved outstanding results in terms of operational growth, revenues, margin improvement, cash flows, industry recognition and clients focus for the year under review. Despite the challenging global economic environment, the group had maintained its focus on client satisfaction and solutions to power business results through technology led integrated HRD solutions.

This passionate commitment has led the company to being well recognised in the industry for its expertise, corporate values and enthusiasm to support our clients to grow their businesses and performance. The Group had addressed its markets in a highly competitive way.

For the financial year ended (“FYE”) 31 December 2011, the Group’s recorded a revenue of RM 44.44 million representing an increase of approximately 276.87% from RM11.79 million recorded in the previous financial year.

The Group posted a net profit after tax for the year of RM 8.33 million as compared to preceeding year of RM 0.14 million.

Coming on the heels of the losses in 2008 and 2009, the continuous efforts during the last two years to focus on high value projects, quality processes and project management has contributed to this significant turnaround since year 2011.

PROSPECTS & OUTLOOK

Even though the Group’s businesses originated from Malaysia, it has continued to focus on both the domestic and overseas markets. Most countries with a compulsion to grow economically and remain competitive continue to emphasise on workforce education that is so essential to develop a talented and productive workforce. There were numerous opportunities in Malaysia with the national goal of achieving a high income nation by 2020 and the introduction of the minimum wage policy. The business environment in the GCC (Gulf Cooperation Countries) countries has been unaffected by the Arab Spring situation. It has been equally buoyant with the localisation and productivity drive. This positive development has been very good for the Group’s businesses.

With the demand for a competitive workforce felt by all countries, the need for technology driven integrated HRD solutions and workforce education is expected to grow exponentially.

Accordingly, the company continued its strategy to minimise the dependence on either one country or one region with a dedicated focus on the ASEAN region and the GCC in the Middle East. In the GCC, the United Arab Emirates, Qatar and Saudi Arabia and in ASEAN, Malaysia and Brunei continue to provide huge opportunities for the group. We have also ensured we are not too dependent on any one country or one product to ensure we are not caught by unexpected events beyond our control.

With a view on scaling up the business, the group consciously adopts a blue ocean strategy to move out of highly competitive and low margin projects. This was and will be largely achieved by creating value through the provision of technology led integrated HRD solutions rather than stand alone off the shelf products.

The Group has also sought to scan the environment and take advantage of the oversea’s opportunities through a partner network rather than investing in our own offices. We are well positioned to take advantage in these high value markets.

CHAIRMAN'S STATEMENT
cont'd

With a demonstrated track record amply proven by our ability to deliver high value projects, the group now stands firmly on stable fundamentals – a compelling trait for customer confidence. Customers view our investments in innovation and commitment to long term contracts with total confidence. This augurs well for the Group.

With the growing demand for our solutions, barring any unforeseen circumstances, the Group expects to perform exceptionally well due to the growth trajectory for the Group's solutions in both the GCC countries and ASEAN in 2012.

INDUSTRY TRENDS & DEVELOPMENTS

The Society for Human Resource Management (SHRM) and other related research emphasise the need for a competitive workforce for both organisations and nations to successfully navigate future challenges.

The challenges are immense. The aging of the workforce, the need for elder care, changing family patterns, and high rates of immigration are all demographic trends that impact organizations and their workforces. Economic trends include health care and pension costs, demand for high-skilled workers, demand for flexible work schedules, linking pay and performance and employee demand for customized employment relationships all impact the key employment trends.

A globalised workforce that is greatly mobile, a gen Y employee base that is not only tech savvy but highly demanding, the changing nature of how people are learning and need to be managed, the move from transactional to strategic HR, a 24/7 work culture, making knowledge more explicit rather than tacit, the need to demonstrate HR's return on investment, and the emphasis on workforce competencies, the need for a literate and a communicative workforce are indicative of the challenges facing organisations and the opportunities available for the Group's business.

While in the GCC countries, the focus is on localisation, Malaysia has largely emphasised with the Economic Transformation Programmes, the need to grow the skilled workforce from approximately the current 25% to about 50% by 2020. The government has announced an allocation of about RM500 million towards the Skills Development Fund, aimed at enhancing skills, technical prowess, human capital and training in the workforce.

With such developments, the Group is well positioned with its technology driven integrated HRD solutions to support organisations. From a technology perspective, the focus is on cloud computing to minimise the huge capital IT expenditures.

While the demand for specific expertise and the competition from enterprise products such as SAP and Oracle do remain as entry barriers to approaching multinational organisations, the fact that over 90% of the organisations are small and medium enterprises that are seeking to control costs is a huge opportunity for the group due to its investment in developing people and cloud computing solutions over the last three years.

R & D EXPENSES

For the FYE 2011, we are pleased to complete our targeted R&D projects and we have commercialised 4 new products during the said period.

The Group has restructured and reclassified the products to meet immediate needs and market demands. This has been described in detail in the Products & Services page 9.

INTERNAL CONTROLS AND CORPORATE GOVERNANCE

In line with the expansion of our business moving forward, the group would allocate more budget to enhance the internal control as well as corporate governance best practice. Various implementation of internal control policies had been progressively conducted during the recent past years, and we are expanding its coverage even further, to ensure the day to day operation are well managed and in control.

Leveraging with the positive outlook, our group would also be pleased to explore further on CSR possibilities, of which we were unable to do so, during the past years when we were significantly affected by the global economic downturn.

CHAIRMAN'S STATEMENT
cont'd

APPRECIATION

While your Board is pleased with the group's progress, we continue to set stretch goals for the management team and support them to develop a world class organisation.

On behalf of the Board, I would like to thank:

- The key management and staff for their dedicated commitment and contribution throughout the year.

- Our business partners, valuable customers, suppliers, bankers, government agencies and regulatory authorities for the continued loyalty, support and confidence.

- Finally, I would also like to record a note of thanks to my fellow Board members for their invaluable contributions and guidance to the Group. It is my belief that they will continue to serve you, our shareholders, well during this exciting phase of growth for the Group and leverage on the opportunities to take the organisation to the next level and to become a truly world class one.

DATO' DR R PALAN
B.Sc., M.A., M.Sc., Ph.D., A.P.T., FBILD (UK), J.B.K. (Kuching), D.P.M.P. (Perak)
Chairman & CEO

AUDIT COMMITTEE REPORT

MEMBERS

Mr Leow Nan Chye
Chairman of the Committee /Independent Non-Executive Director

Tuan Haji Ishak Bin Hashim
Member/Independent Non-Executive Director

Mr Venkiteswaran Sankar
Member/Independent Non-Executive Director (resigned on 5 July 2011)

Mr Malayandi @ Kalaiarasu
Member/Independent Non-Executive Director (appointed on 24 August 2011)

TERMS OF REFERENCE

Membership

The Audit Committee ("AC") shall be appointed by the Board of Directors ("Board") from amongst the Directors of the Company and shall consist of not less than three (3) Directors. All members of the AC must be Non-Executive Directors with a majority of them being Independent Directors. At least one member of the AC must be a member of an accounting association or body.

The Chairman of the AC shall be an Independent Director and be elected from amongst their members.

The term of office of the AC is two (2) years and may be re-nominated and appointed by the Board. All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the AC cease to be a Director of the Company, his membership in the AC would cease forthwith.

No Alternate Director of the Board shall be appointed as a member of the AC. In the event of any vacancy in the AC resulting in the non-compliance with the ACE Market Listing Requirement ("LR") of Bursa Malaysia Securities Berhad, the Board shall within three (3) months of that event, appoint such new member(s) as may be required to comply with the LR.

Objectives

The AC shall:

1. provide assistance to the Board in fulfilling its fiduciary responsibilities relating to internal controls, corporate accounting and reporting practices of the Group;

2. improve the Group's business efficiency, the quality of accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results;

3. enhance the independence of both the external and internal auditors' function through active participation in the audit process;

4. maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors; and

5. strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Group through their participation in the AC.

AUDIT COMMITTEE REPORT
cont'd

TERMS OF REFERENCE *cont'd*

Functions

The AC shall, amongst others, discharge the following functions:-

- To discuss with the external auditor before the audit commences, the audit plan, nature and scope of the audit;

- To consider the appointment of the external auditor, the audit fee and any question of resignation and or dismissal;

- To review the quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on:-

    - changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption;
    - compliance with accounting standards and other legal requirements;
    - to discuss matters arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

- To perform the following, in relation to the internal audit function:-

    - review scope, function, resources and authority of the internal audit function in carrying out its work;
    - review the risk-based internal audit plans and programmes;
    - review the major findings reported by internal audit and follow up on management's implementation of the recommended actions;
    - assess performance of services provided by the internal audit functions;
    - to consider any related party transactions and potential conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

- To perform any other functions as may be agreed by the AC and the Board.

Authority

The AC is authorised by the Board to:

- investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- obtain independent professional or other advice; and
- convene any meetings with the external auditors, the internal auditors or both, excluding the attendance of the other Directors and employees of the Company, whenever deemed necessary.

Meetings

The AC shall meet at least four (4) times, although additional meetings may be called at any time at the AC Chairman's discretion. In order to form the quorum for each meeting, a minimum of two members present shall be Independent Directors.

In addition to the AC members, the Head of Finance and the internal auditor shall normally attend the meetings. Representatives of the external auditors shall attend meetings where matters relating to the audit of the statutory accounts and/or the external auditors are to be discussed. Other Board members, senior management and employees may attend the meeting upon the invitation of the AC Chairman. However, the AC should meet with the external auditors without the Executive Directors present at least twice a year.

TERMS OF REFERENCE *cont'd*

Meetings *cont'd*

An agenda shall be sent to all members of the Committee and any other person who may be required/invited to attend. All meetings to review the quarterly results and annual financial statements shall be held prior to such quarterly results and annual financial statements being presented to the Board for approval. The AC Chairman shall report on each meeting to the Board.

The Company Secretary shall be the secretary of the AC and will be responsible for sending out notices of meetings, preparing and keeping minutes of meetings and circulating the minutes of meetings to all members of the Board.

The AC met four (4) times during the financial year ended 31 December 2011 and the records of attendance of the AC members are set out below:

Members	Number of meetings attended during the tenure as member
Mr Leow Nan Chye	4/4
Tuan Haji Ishak Bin Hashim	3/4
Mr Venkiteswaran Sankar *(resigned on 5 July 2011)*	2/2
Mr Malayandi @ Kalaiarasu *(appointed on 24 August 2011)*	1/1

Summary of the activities

The AC carried out its duties in accordance with its Term of Reference.

The main issues discussed by the AC during the financial year under review are as follows:

1. Reviewed the 2011 audit plan, scope of audit, audit time-table with the external auditors;

2. Discussed applicable new Financial Reporting Standards with the external auditors;

3. Reviewed the unaudited quarterly financial statements and audited financial statements and made relevant recommendations for approval by the Board;

4. Reviewed the external auditors' Audit Review Memorandum for the financial year ended 31 December 2011;

5. Reviewed the Group's related party transactions;

6. Reviewed the Internal Audit Reports presented by the Internal Auditors on findings and recommendations with regards to systems and controls weaknesses noted in their course of their audit and management's responses thereto and ensuring material findings are adequately addresses by management; and

7. Reviewed the Statement of Internal Control.

The AC has met with the External Auditors two times during the financial year without the executive board members being present.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of SMR Technologies Berhad is pleased to report to the shareholders how the Group has applied the principles as set out in the Malaysian Code on Corporate Governance ("Code").

DIRECTORS

Responsibilities

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, overseeing the conduct of the company's business to evaluate whether the business is being properly managed, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, succession planning, developing shareholders communication policy and reviewing the adequacy and the integrity of the company's internal control systems.

Dato' Dr R Palan, being the Chairman and Chief Executive Officer, is primarily responsible for the orderly conduct and working of the Board and ensuring integrity and effectiveness of the governance process of the Board. He also manages the overall business operations and is accountable to the Board for the overall organisation and management of the Group.

Board Balance

The Board currently consist of four (4) members; namely one (1) Executive Director and three (3) Independent Non-Executive Directors which is in compliance with paragraph 15.02 of the ACE Market Listing Requirements of Bursa Securities Malaysia Berhad ("Bursa Securities") which requires at least two (2) Directors or one-third of the Board of the Company whichever is the higher, to be Independent Directors.

Part 2 of the Code on Best Practices in Corporate Governance states that there should be clearly accepted division of responsibilities at the head of the Company and where the roles of the Chairman and Chief Executive Officer are combined, there should be a strong independent element on the Board.

The roles of the Chairman and Chief Executive Officer, held by Dato' Dr. R. Palan, is combined as the Board is confident that Dato' Dr R Palan, who is distinguished, respected and experienced in the industry is able to contribute considerable experience towards accomplishment of the Group's objectives.

The Directors with their different backgrounds and specialisation, collectively bring with them a wide range of experience and expertise. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The Independent Non-Executive Directors play important roles by exercising independent judgement and objective participation in the proceedings and decision-making processes of the Board. As such, there is a proper balance in the Board because the presence of Independent Non-Executive Directors of the caliber necessary to carry sufficient weight in Board decisions. Together with the Executive Directors who have sound knowledge of the business, the Board is constituted of individuals, who have proper understanding and competence to deal with the current and emerging business issues.

The Code recommends the appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed. Mr Leow Nan Chye has been nominated to fulfill this role.

The profile of each Director is set out in the Directors Profile section in this Annual Report.

Board Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year, the Board held 4 meetings.

Minutes of each Board meeting are circulated to each Board member prior to confirmation of the minutes in the next Board meeting.

DIRECTORS *cont'd*

Board Meetings *cont'd*

Details of the Directors' attendance at meetings during the financial year 2011 are as follows:

Board Meetings Attended During Tenure in Office		
Dato' Dr R Palan	*Chairman & Chief Executive Officer*	4/4
Dr Nadarajah Manickam	*Executive Director*	3/4
Tuan Haji Ishak Bin Hashim	*Independent Non-Executive Director*	3/4
Mr Leow Nan Chye	*Independent Non-Executive Director*	4/4
Mr Venkisteswaran Sankar *(resigned on 5 July 2011)*	*Independent Non-Executive Director*	2/2
Mr Malayandi @ Kalaiarasu *(appointed on 17 June 2011)*	*Independent Non-Executive Director*	2/2

Supply of Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, the Directors have full and unrestricted access to all information pertaining to the Group's business and affairs to enable them to discharge their duties.

All Directors are provided with notices and agenda of meetings prior to the Board meeting. The Company Secretary is in attendance at Board Meetings to ensure that meeting procedures are followed and applicable statutory and other regulations are complied with. Senior Management staff may be invited to attend Board meetings to provide the Board with explanations and clarifications on issues that are being deliberated.

In addition, all Directors have access to the services of the Company Secretary, management and other independent advisors, where necessary at the Group's expenses.

Appointment and Re-Election of Directors

The Board is appointed in a formal and transparent practice as endorsed by the Code. The Nomination Committee will make recommendations or the Board will go through this entire process on its own. The Company Secretary will ensure that all appointments are properly made and that all legal and regulatory obligations are met.

The Company's Articles of Association provides that at the annual general meeting in every year, at least one-third or the number nearest to one-third of the Board shall retire from office and be eligible for re-election and all directors shall retire from office once in every three (3) years but shall be eligible for re-election. The election of each Director is voted on separately.

Directors' Training

All Directors have completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities. During the financial year ended 31 December 2011, the Directors attended various courses, conferences and seminars to further enhance their skills and knowledge. Directors' education also covers briefings given by the various parties including Internal Auditors, External Auditors and Company Secretary on the relevant updates relating to regulatory and statutory requirements from time to time during the Audit Committee and Board meetings.

BOARD COMMITTEES

The Board has delegated certain responsibilities to Board Committees which operate within defined terms of reference. The Board Committee includes the Audit Committee, Nomination Committee and Remuneration Committee. The respective Committee reports to the Board on matters considered and their recommendation thereon. The ultimate responsibility for the final decision on all matters however, lies with the Board.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

BOARD COMMITTEES *cont'd*

Audit Committee

The Audit Committee ("AC") is chaired by Mr. Leow Nan Chye, an Independent Non-Executive Director. The AC plays an active role in assisting the Board in discharging its governance responsibilities. The composition of the AC, its terms of reference, attendance of meetings and a summary of its activities are set out in the AC Report in this Annual Report.

Nomination Committee

The Nomination Committee ("NC") comprises two (2) Independent Non-Executive Directors as follows:

Tuan Haji Ishak Bin Hashim	*(Chairman of NC/Independent Non-Executive Director)*
Mr Leow Nan Chye	*(Member/Independent Non-Executive Director)*

1. Objectives

The NC will assist the Board in their responsibilities in proposing new nominees to the Board and also to assess Directors on an on-going basis.

2. Composition of members

The Board shall elect the NC members from amongst themselves, composed exclusively of Non-Executive Directors, a majority of whom are independent.

3. Chairman

The Chairman of the NC shall be elected from amongst the NC members. The Chairman of the NC shall be approved by the Board.

4. Meetings

The NC may meet together for the dispatch of business, adjourn and other wise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Secretary shall on the requisition of the members of the NC summon a meeting of the NC except in the case of an emergency, reasonable notice of every NC meeting shall be given in writing.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

5. Quorum

A quorum shall consist of two (2) members, one of whom shall be the Chairman of the AC.

6. Authority

The NC shall, in accordance with a procedure or process to be determined and established by the Board and at the expense of the Company,

(a) annually review the required skills and experience and other qualities, including core competencies which non-executive and executive directors should have;

(b) assess on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director; and

(c) be entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the ACE Market Listing Requirements of the Bursa Malaysia or other regulatory requirements.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

BOARD COMMITTEES *cont'd*

Nomination Committee *cont'd*

7. Duties and Responsibilities

The duties and responsibilities of the NC are as follows:-

- To recommend to the Board, candidates for all directorship to be filled by the shareholders or the Board;
- To consider, in making its recommendations, candidates for directorships proposed by the Chairman and CEO and, within the bounds of practicability, by any other senior executive or any Director or shareholder;
- To recommend to the Board, the nominees to fill in the seats on the Board Committees;
- To assess the effectiveness of the Board as a whole, as a whole and each individual Directors/committees of the Board; and
- To consider and examine such other matters as the NC considers appropriate.

The NC evaluates new candidates and current Directors, and performs other duties as spelled out in the NC's terms of reference.

The NC held one (1) meeting held during the financial year ended 31 December 2011.

Remuneration Committee

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

Tuan Haji Ishak Bin Hashim	*(Chairman of RC/Independent Non-Executive Director)*
Mr Leow Nan Chye	*(Member/Independent Non-Executive Director)*
Dr. Nadarajah Manickam	*(Member/Executive Director)*

1. Objectives

The RC comprising a majority of independent Non-Executive Directors recommends the remuneration of Executive Directors to the Board. The Executive Directors do not participate in the decision on their own remuneration.

2. Composition of members

The Board shall elect the RC members from amongst themselves, composed wholly or mainly of Non-Executive Directors.

3. Chairman

The Chairman of the RC shall be elected from amongst their members. The Chairman of the AC shall be approved by the Board.

4. Meetings

The RC may meet together for the dispatch of business, adjourn and other wise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Secretary shall on the requisition of the members of the RC summon a meeting of the RC except in the case of an emergency, reasonable notice of every RC meeting shall be given in writing.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

STATEMENT ON CORPORATE GOVERNANCE
cont'd

BOARD COMMITTEES *cont'd*

Remuneration Committee *cont'd*

5. Quorum

A quorum shall consist of two (2) members, one of whom shall be the Chairman of the AC.

6. Authority

The RC shall, in accordance with a formal and transparent procedure or process or policy on executive directors' remuneration packages to be determined and established by the Board and at the expense of the Company,

(a) review, assess and recommend to the Board the remuneration packages of the Executive Directors in all forms, with other independent professional advice or outside advice as necessary.

(b) be entitled to the service of a company secretary who must ensure that all decisions made on the remuneration packages of the Executive Directors be properly recorded and minuted in the minutes book.

7. Duties and Responsibilities

The duties and responsibilities of the RC are as follows:-

- To review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice;
- To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully;
- To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at board level at a particular time;
- To recommend to the Board the remuneration packages of the Executive Directors; and
- To consider and examine such other matters as the RC considers appropriate.

The RC recommends to the Board, the proposed remuneration of all Directors (both Executive and Non-Executive). The RC is empowered by its terms of reference, which is approved by the Board.

These terms of reference may change from time to time to fulfill such other requirements as prescribed by the Bursa Malaysia.

The RC held one (1) meeting during the financial year ended 31 December 2011.

DIRECTORS' REMUNERATION

The determination of the remuneration of the Executive Directors and Non-Executive Directors is a matter decided by the Board as a whole, with the Director concerned abstaining from participating in decision in respect of the individual remuneration.

DIRECTORS' REMUNERATION *cont'd*

An analysis of the aggregate Directors' remuneration paid for Directors of the Company for the year ended 31 December 2011 is set out below:

Name of Director	Salary & Allowance RM'000	Directors' Fees RM'000	Attendance Fees RM'000	Contribution to Provident Fund RM'000	Total RM'000
Executive					
Dato' Dr R Palan	312	-	8	29	349
Dr Nadarajah A/L Manickam	132	-	2	12	146
Non-Executive					
Tuan Haji Ishak Bin Hashim	-	30	4	-	34
Leow Nan Chye	-	30	7	-	37
Venkiteswaran Sankar *(resigned on 5 July 2011)*	-	15	3	-	18
Mr Malayandi @ Kalaiarasu *(appointed on 17 June 2011)*	-	16	2	-	18

The above mentioned Director's remuneration is the total sum of the remuneration received by the Directors from the Company and its subsidiaries.

An analysis of the number of Directors of the Company whose remuneration falls under each range is set out below:-

Remuneration band	Number of Directors Executive	Number of Directors Non-Executive
Below RM50,000	-	4
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-
RM300,001 – RM350,000	1	-

SHAREHOLDERS

The Board acknowledges the importance of regular communication with shareholders and investors and this is achieved via the annual reports, circular to shareholders, quarterly financial reports and the various announcements made during the year which shareholders can have an overview of the Group's performance.

An important forum for communication and dialogue with the shareholders is through the Annual General Meetings ("AGM"), whereby shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on resolutions. The Annual Report and Notice of Meeting are forwarded to the shareholders at least twenty-one (21) days before the date of the meeting.

The Group has also participated in the Malaysian Investor Relations Association (MIRA) and CMDF- Bursa Research Scheme III (CBRS III) programmes and there is an investor's relation section in its Group website at http://www.smrhrgroup.com where investors and shareholders can access for information.

STATEMENT ON CORPORATE GOVERNANCE

cont'd

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospect primarily through the annual financial statements and quarterly announcement of results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process.

The Statement by Directors made pursuant to Section 169 of the Companies Act, 1965 is set out in the Annual Report under the Statement of Directors' Responsibility.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Directors are required by The Companies Act, 1965 to prepare financial statements for each financial year which are drawn up in accordance with applicable approved accounting standards the provisions of the Companies Act, 1965 which gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year. In preparing the financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

Relationship with the external auditors

The Board through the Audit Committee has established a formal and transparent professional relationship with the external auditors in seeking professional advice and ensuring compliance with the accouting standards in Malaysia. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report. The Audit Committee met the External Auditors to discuss the external audit findings, without any Executive Directors being present.

Internal controls

The Board acknowledges its responsibilities for the Group's system of internal control which provide reasonable assessment of effective and efficient operation, internal controls and compliance with regulations and law. The system provides reasonable but not absolute assurance against material misstatement, loss and fraud.

Details of the system of internal controls are contained in the Statement on Internal Control in this Annual Report.

Statement of Compliance with Best Practices

The Board endeavours, in so far as it is applicable, towards achieving compliance with the best practices of good governance to the recommendations of the Code.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act,1965 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the year end and the results and cash flows of the Group and of the Company for the financial year. As required by the Act and the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing those financial statements, the Company's Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

OTHER COMPLIANCE INFORMATION

1. **UTILISATION OF PROCEEDS**

As at 31 December 2011, the proceeds raised from the Private Placement completed on 5 August 2011 has been fully utilise as follows:-

Details of Utilisation	Proposed utilisation RM'000	Actual utilisation RM'000
Working capital		
- Payment of employees' salaries	943	943
- Payment to creditors	788	788
- Expenses for advertising and promotional activities	150	150
Expenses for the Proposed Private Placement	70	64
Total	1,951	1,945

2. **SHARE BUY-BACK**

The Company did not enter into any share buy-back transactions during the financial year.

3. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

There were no options, warrants or convertible securities exercised during the financial year.

4. **AMERICAN DEPOSITORY RECEIPTS ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME**

The Company did not sponsor any ADR or GDR programme during the financial year.

5. **IMPOSITION OF SANCTIONS/PENALTIES**

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

6. **NON-AUDIT FEE**

During the financial year under review, non-audit fees paid to Messrs Baker Tilly Monteiro Heng by the Group amounted to approximately RM14,078.

7. **VARIATION IN RESULTS**

There were no variances of 10% or more between the audited results for the financial year and the unaudited results previously announced. The Company did not release any profit estimate, forecast or projection during the financial year.

8. **PROFIT GUARANTEE**

There was no profit guarantee given by the Company during the financial year.

9. **MATERIAL CONTRACTS**

Other than those disclosed in Note 11 on Page 31 (Recurrent Related Party Transactions of a revenue or trading nature) and in Note 31 on Page 92 (Significant Related Party Transactions) in this Annual Report, there were no material contract entered into by the Company and its subsidiaries involving the interest of the Company's Directors and/or major shareholders.

10. REVALUATION POLICY

Except for freehold land and property which is to be revalued at an interval of at least once in every five (5) years should the need arise due to significant changes in fair value, the Group does not have a revaluation policy.

11 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

On 2 June 2011, the Company had obtained shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of revenue or trading nature ("RRPT") with related parties. The aggregate value of Recurrent Transactions entered into by the Group during the financial year was as follows:

Companies in SMR Tech Group involved in the RRPT	Related Party	Transactions	Interested Related Parties	Transacted values for the financial year RM'000
SMR HR Technologies Sdn Bhd ("SMR HRT")	Dr R Palan ("DRP")	Payment of rental for office space to Related Party	DRP [(1)]	102
SMR HR Technologies Sdn Bhd ("SMR HRT")	Asia HRT Ltd ("AHRTL")	Provision of software development support and related services.	DRP [(2)]	0
SMR HR Group Sdn Bhd ("SMR HRG")	Personal Transformation Sdn. Bhd. ("PTSB")	1. Design and delivery of training, consulting and related services. 2. Royalties Charges for publishing and sales of learning resources.	DRP [(3)]	675

Notes:

(1) DRP is a major shareholder and Director of SMR Tech Bhd.
(2) DRP is a major shareholder and Director of SMR Tech Bhd. He is a major shareholder of AHRTL.
(3) DRP is a major shareholder and Director of SMR Tech Bhd. He is a Director and a major shareholder of PTSB.

In year 2012, SMRTECH has ceased transacting with Asia HRT. As such, the proposed renewal of shareholders' mandate for RRPT does not include future RRPT with Asia HRT.

12. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group upholds corporate social responsibility efforts which can add value to the business through various means –increased staff motivation, attracting new talents, earning customers support and loyalty, ethical business practice building trust with suppliers and regulatory authorities and establishing a name in the human resource fraternity for developing human capital competency. The Group ensures that business practices comply with general respect for its workplace, environment, community and marketplace.

Workplace

The Group continued with its efforts towards building its talent reservoir. We constantly provide in-house, external and on-the-job talent development and training programmes based on an annual training needs analysis to broaden our employee's intellectual dimension and skills set in order to achieve and maintain a competitive edge for the Group. The areas covered in 2011 were technical, IT, financial reporting & regulatory framework, sales, quality management systems, competency profiling and consulting techniques, motivation, investor relations.

OTHER COMPLIANCE INFORMATION
cont'd

12. CORPORATE SOCIAL RESPONSIBILITY ("CSR") *cont'd*

Workplace *cont'd*

We have continually rewarded and recognised employees for their outstanding efforts and performance during the year. The company granted share options under the employee share option scheme to recognise and honour employees for all-round outstanding services and personal contributions to realise the Group's strategic direction. We also recognise staff for outstanding performance in management of projects for our customers.

Employees continue to receive benefits such as a Medical Plan and Personal Accident Insurance.

The Group subscribes to workplace diversity and endeavours to create a workforce that mirrors the communities in which we operate so as to better understand and build relationship within the communities.

Environment

The Group's business is not directly related to environmentally sensitive issues. However due attention is given to minimise our carbon footprint by using double sided printing, recycling used paper, reducing storage of hardcopy documents by access to intranet repository and maximising utilisation of ICT facilities available, promoting where possible the idea and practice of a "paperless office management". Staff are educated on the importance of energy conservation and practice energy conservative by switching off lights, air conditioners and office equipment when these are not in use. We also subscribe to the global efforts of the anuual "Earth Hour".

Community

The Group remains committed to contribute to society. In helping the Government to achieve an improvement in the quality of teachers and teaching, in addition to the prescribed duties of our 120 Native English Trainers, they have voluntarily taken part in the followings activities:-

- Established Self Access Learning Centres within schools for children to use with their language studies;
- Conducted workshops and activities specifically for special needs pupils; and
- Produced 120 decodable readers for KSSR1 syllabus to be distributed free to all schools under the ELT projects and non projects schools.

We also provide financial support to charities and educational establishment by making donations to meet specific worthy needs such as:

In the year 2011, the Group organised a book donation compaign "A Book for a Child" during Asia HRDCongress events. This is now an annual affair. The Group also sponsored the education of a child in SOS Children's Village for one full year during the NHRD Network 15th National Conference.

In addition, in support of the 1 Malaysia Entrepreneur Development Programme organised by Malaysian Indian Chambers of Commerce and Industry (MACCI), the Group supported through delivering keynote session to help the young entrepreneurs of Malaysia, with the business skill sets essential for success.

Marketplace

We strive to be a socially responsible Group by practicing good values, integrity and conduct in all our business relationship. The Group's business activities are governed by the Business Charter which encompasses six principles – Unity of Purpose, Value Based Business, Total HRD Solutions Provider, Customer Service Driven Mindset, Hassle Free and Empowering Work Environment and Building Communities. Being ISO certified, we also ensure quality of our delivery services to our customers by ensuring compliance to best practices and benchmarks.

The Group will support the market with good products and services, engaging in ethical procurement practices and maintaining quality of its business offerings.

We ensure that stakeholders are kept informed of the Group's performance and have open channels for dialogue with shareholders during the Company's annual general meeting and feedback on our corporate website.

STATEMENT ON INTERNAL CONTROL

The Board of Directors is pleased to present the Statement on Internal Control which outlines the nature and scope of internal control of the Group during the financial year pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.

The Board of Directors recognises the importance of good practice of corporate governance and is committed to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. The Board also recognises that reviewing the Group's system of internal control is a concerted and continuous process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement, fraud and loss.

The Board believes that the Group's system of internal control, financial or otherwise, should provide reasonable assurance regarding the achievement of the Group's objectives in ensuring efficiency and effectiveness of operations, reliability and transparency of financial information and compliance with laws and regulations.

The key features of the Group's system of internal control that have been set up to facilitate the proper conduct of the Group's business activities are summarised below:-

- The Group has its Board Committees and Management team to assist the Board in discharging its responsibilities. They comprise individuals with high integrity and caliber and meet regularly in the discharge of their duties. Terms of reference have been written for the Board Committee namely the Audit Committee, Nomination Committee and Remuneration Committee.

  The Audit Committee works independently with the outsourced internal audit team to ensure further corporate governance and internal controls are in place and ensure systems and processes meet the required standards.

- The Group maintains a formal and clearly defined organisation structure with delineated lines of authority, responsibility and accountability within the Group. The Board has put in place suitably qualified and experienced Management personnel to head the Group's diverse business units into delivering results and their performance are measured against their Key Performance Indicators (KPI).

- Budgeting process where budgets for operating subsidiaries are prepared and approved by the Management and monthly monitoring of results against budget with major variances highlighted and management action taken where necessary.

- The Board monitors the Group's performance by reviewing the quarterly results and operations and examines the announcement to Bursa Securities. These are reviewed by the Audit Committee before they are tabled to the Board.

- Minimisation of operating risks to ensure appropriate controls, systems and people are in place throughout the Group's businesses. Key organisational controls employed in managing operating risks include segregation of duties, transactions verification and authorisation, financial performance tracking and management reporting.

- Internal operating procedures and guidelines are documented and easily accessible by all staff on the Share Point. The Group periodically reviews and updates these to ensure that they continue to support the Group's business activities.

- The Group has a centralised Project Management Unit to improve project management efficiency.

- There are proper guidelines for hiring and termination of staff, formal training programmes, training needs analysis, performance appraisals and other relevant procedures are in place within the Group to ensure employees are competent and are adequately trained in performing their responsibilities.

- Annual audit conducted by external quality auditors to ensure the quality system of the Group are in compliance with the requirements of the ISO 9001:2008 certification. This will serve to ensure that customers are assured of delivery of the highest quality of systems, products and services.

- The Group has implemented a Succession Planning program that trains the selected talent-pool management employees with the necessary experience, skills and leadership for key management roles.

STATEMENT ON INTERNAL CONTROL

cont'd

INTERNAL AUDIT FUNCTION

The Audit Committee keeps track and addresses any issues that relates to this matter at every meeting and its members are constantly being updated on any activities that relates to the above.

The Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to undertake its internal audit function. The independent consulting firm acts as internal auditor and reports directly to the Audit Committee. During the financial year, the internal auditor reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

Follow-up visits were also carried out to ensure weaknesses identified have been or are being addressed. Periodic audit reports and status report on follow up actions were tabled to the Audit Committee during its quarterly meetings. For the financial year ended 31 December 2011, the total costs incurred for the outsourced internal audit function is RM34,104 inclusive of reimbursable expenses and service tax.

CONCLUSION

The Board is satisfied that, during the year under review, there is an on going process of identifying, evaluating and managing significant risk faced by the Group. The existing system of internal control is adequate and properly implemented and there are no major weaknesses at the existing level of operations of the Group. The Board recognized that the internal control system must continuously improve to meet the challenging business environment and will continue to take appropriate action plans to strengthen the Group's internal control system.

REVIEW BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Internal Control and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group internal control system.

DIRECTORS' REPORT

The directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries and associate are set out in Note 5 and Note 6 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit/(loss) for the financial year	8,332,585	(1,005,653)
Other comprehensive income	35,182	-
Total comprehensive income/(loss) for the financial year	8,367,767	(1,005,653)
Profit/(loss) attributable to:		
Owners of the Company	8,320,359	(1,005,653)
Non controlling interests	12,226	-
	8,332,585	(1,005,653)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	8,355,541	(1,005,653)
Non controlling interests	12,226	-
	8,367,767	(1,005,653)

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 31st December 2011.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

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 action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

DIRECTORS' REPORT
cont'd

BAD AND DOUBTFUL DEBTS *cont'd*

At the date of this report, the directors of the Company are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, 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.

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 has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 30 to the financial statements.

No contingent liabilities or other liabilities of the Group and of the Company has 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.

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 methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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.

ITEMS OF AN UNUSUAL NATURE

The results of the operations 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.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, 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 had issued:-

(i) 14,666,000 new ordinary shares of RM0.10 each at RM0.133 per ordinary shares by way of private placement for a total cash consideration of RM1,950,578/- for working capital purposes.

(ii) 100,000 new ordinary shares of RM0.10 each from the exercise of Employee Share Option Schemes at an exercise price of RM0.135 per ordinary share for a total cash consideration of RM13,500/-.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

DIRECTORS

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

Dato' Dr Palaniappan A/L Ramanathan Chettiar
Nadarajah A/L Manickam
Leow Nan Chye
Ishak Bin Hashim
Malayandi @ Kalaiarasu *- appointed on 17.6.2011*
Venkiteswaran Sankar *- resigned on 5.7.2011*

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2011 are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
The Company				
SMR Technologies Berhad				
Dato' Dr Palaniappan A/L Ramanathan Chettiar	4,000,464	40,000	-	4,040,464
Nadarajah A/L Manickam	40,000	-	-	40,000
Leow Nan Chye	374,000	671,800	-	1,045,800
Ishak Bin Hashim	13,333	-	-	13,333
Malayandi @ Kalaiarasu	33,333	-		33,333

DIRECTORS' REPORT
cont'd

DIRECTORS' INTERESTS *cont'd*

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2011	Granted	Exercised	At 31.12.2011
The Company				
SMR Technologies Berhad				
Dato' Dr Palaniappan A/L Ramanathan Chettiar	-	2,933,333	-	2,933,333
Nadarajah A/L Manickam	-	1,500,000	-	1,500,000
Leow Nan Chye	-	750,000	-	750,000
Ishak Bin Hashim	-	750,000	-	750,000

By virtue of their interests in shares in the Company, Dato' Dr Palaniappan A/L Ramanathan Chettiar, Nadarajah A/L Manickam, Ishak Bin Hashim, Leow Nan Chye, Ishak Bin Hashim and Malayandi @ Kalaiarasu are also deemed interested in shares in the subsidiaries to the extent that the Company has an interest.

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

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 a benefit included in the aggregate amount of emoluments received or due and receivable by the directors 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, other than those arising from the share options granted under the Employee Share Option Schemes.

EMPLOYEE SHARE OPTION SCHEMES

At an Extraordinary General Meeting held on 2nd June 2010, the Company's shareholders approved the establishment of an employees' share option scheme (ESOS) of not more than 20% of the total issued and paid up ordinary share capital of the Company to eligible Directors and employees of the Group.

The committee administering the ESOS comprises 4 members, Dato' Dr Palaniappan A/L Ramanathan Chettiar, Leow Nan Chye, Ishak Bin Hashim and Chew Ann Nei.

The salient features and other terms of the Employee Share Options Schemes are disclosed in Note 16 to the financial statements.

EMPLOYEE SHARE OPTION SCHEMES *cont'd*

During the financial year, the Company had granted total 24,481,333 share options under the employee share option scheme. Details of all the options granted as at 31st December 2011 are as follows:-

Grant Date	Vesting Date	Exercise price (RM)	Number of options
3rd June 2011	3rd June 2011	0.135	7,620,000
	1st July 2012	0.135	6,350,000
	1st July 2013	0.135	7,423,333
7th July 2011	7th July 2011	0.135	1,038,000
	1st July 2012	0.135	950,000
	1st July 2013	0.135	1,100,000
			24,481,333

The scheme shall be in force for duration of 5 years effective 16 June 2010 or may be extended for a further period of up to five (5) years at the discretion of the Board upon the recommendation of the Option Committee.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 35 to the financial statements.

AUDITORS

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

On behalf of the Board,

DATO' DR PALANIAPPAN A/L RAMANATHAN CHETTIAR
Director

NADARAJAH A/L MANICKAM
Director

Kuala Lumpur

Date: 27th April 2012

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	9,694,266	5,499,558	-	-
Investment in subsidiaries	5	-	-	14,698,446	14,162,657
Investment in an associate	6	-	-	-	-
Goodwill on consolidation	7	6,663,251	6,663,251	-	-
Intangible assets	8	-	883	-	-
Development costs	9	13,354,710	16,408,284	-	-
		29,712,227	28,571,976	14,698,446	14,162,657
Current assets					
Inventories	10	46,889	47,196	-	-
Trade and other receivables	11	12,237,263	7,004,239	13,518	1,480
Amount due from subsidiaries	12	-	-	7,252,550	5,559,433
Tax recoverable		891	-	891	-
Deposits placed with licensed banks	13	338,191	667,802	-	-
Cash and bank balances		3,116,748	69,769	15,023	130
		15,739,982	7,789,006	7,281,982	5,561,043
TOTAL ASSETS		45,452,209	36,360,982	21,980,428	19,723,700
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	16,143,266	14,666,666	16,143,266	14,666,666
Share premium	15	5,552,373	5,061,195	5,552,373	5,061,195
Share based payment reserve	16	489,066	-	489,066	-
Revaluation reserve	17	1,788,787	1,825,293	-	-
Foreign currency translation reserve	18	125,058	53,370	-	-
Legal reserve	19	131,380	27,053	-	-
Retained earnings/(accumulated losses)		13,968,085	5,683,352	(4,558,913)	(3,553,260)
		38,198,015	27,316,929	17,625,792	16,174,601
Non controlling interests		18,168	4,513	-	-
Total Equity		38,216,183	27,321,442	17,625,792	16,174,601

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011
cont'd

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Non-current liabilities					
Hire purchase payables	20	3,300,320	66,569	-	-
Leasing liabilities	21	67,537	-		
Deferred tax liabilities	22	19,293	134,086	-	-
		3,387,150	200,655	-	-
Current liabilities					
Trade and other payables	23	2,231,866	4,301,006	75,196	2,628,820
Hire purchase payables	20	1,295,278	74,041	-	-
Leasing liabilities	21	132,003	-		
Bank overdrafts - secured	24	-	4,219,357	-	-
Tax payables		189,729	244,481	-	-
Amount due to subsidiaries	12	-	-	4,279,440	920,279
		3,848,876	8,838,885	4,354,636	3,549,099
Total liabilities		7,236,026	9,039,540	4,354,636	3,549,099
TOTAL EQUITY AND LIABILITIES		45,452,209	36,360,982	21,980,428	19,723,700

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Revenue	25	44,442,550	11,792,471	-	-
Cost of sales		(27,329,612)	(3,986,127)	-	-
GROSS PROFIT		17,112,938	7,806,344	-	-
Other income		89,759	850,411	800	3,563
Administrative expenses		(7,866,465)	(8,082,376)	(1,006,651)	(934,071)
Bargain purchase arising from acquisition of a subsidiary		63,219	-	-	-
Gain on disposal of subsidiary		6,820	-	-	-
OPERATING PROFIT/(LOSS)	26	9,406,271	574,379	(1,005,851)	(930,508)
Finance costs	27	(575,465)	(187,050)	-	-
PROFIT/(LOSS) BEFORE TAXATION		8,830,806	387,329	(1,005,851)	(930,508)
Taxation	28	(498,221)	(250,839)	198	(891)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		8,332,585	136,490	(1,005,653)	(931,399)
Other Comprehensive Income:					
- amortisation of revaluation reserve (Note 17)		(36,506)	(37,251)	-	-
- foreign currency translation		71,688	78,117	-	-
		35,182	40,866	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		8,367,767	177,356	(1,005,653)	(931,399)
Profit/(loss) attributable to:					
Owners of the Company		8,320,359	278,227	(1,005,653)	(931,399)
Non-controlling interests		12,226	(141,737)	-	-
		8,332,585	136,490	(1,005,653)	(931,399)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		8,355,541	319,093	(1,005,653)	(931,399)
Non-controlling interests		12,226	(141,737)	-	-
		8,367,767	177,356	(1,005,653)	(931,399)
Earning/(loss) per share attributable to Owners of the Company (sen)					
Basic, earning per ordinary share	29(a)	5.45	0.19		
Diluted, earning per ordinary share	29(b)	5.39	-		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

	Attributable to owners of the Company										
		Non-Distributable						Distributable			
	Share Capital	Share Premium	Share Based Payment Reserve	Revaluation Reserve	Foreign Currency Translation Reserve	Legal Reserve	Assets Held for Sale	Retained Earnings	Total	Non Controlling Interests	Total Equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group											
Balance as at 1st January 2010	13,333,333	5,061,195	-	1,862,544	(24,747)	-	3,460	5,394,927	25,630,712	29,758	25,660,470
Issuance of shares (Note 14)	1,333,333	-	-	-	-	-	-	-	1,333,333	-	1,333,333
Amortisation of revaluation reserve	-	-	-	-	-	-	-	37,251	37,251	-	37,251
Transfer to legal reserve	-	-	-	-	-	27,053	-	(27,053)	-	-	-
Amount directly recognised in equity relating to assets classified as held for sale	-	-	-	-	-	-	(3,460)	-	(3,460)	-	(3,460)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	116,492	116,492
Total comprehensive income for the financial year	-	-	-	(37,251)	78,117	-	-	278,227	319,093	(141,737)	177,356
Balance as at 31st December 2010	14,666,666	5,061,195	-	1,825,293	53,370	27,053	-	5,683,352	27,316,929	4,513	27,321,442
Issuance of shares (Note 14)	1,476,600	487,478	-	-	-	-	-	-	1,964,078	-	1,964,078
Amortisation of revaluation reserve	-	-	-	-	-	-	-	36,506	36,506	-	36,506
Transfer to legal reserve	-	-	-	-	-	104,327	-	(104,327)	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	1,429	1,429
Disposal of subsidiary	-	-	-	-	-	-	-	32,195	32,195	-	32,195
Share based payment	-	-	492,766	-	-	-	-	-	492,766	-	492,766
Exercised of employee share option schemes	-	3,700	(3,700)	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	(36,506)	71,688	-	-	8,320,359	8,355,541	12,226	8,367,767
Balance as at 31st December 2011	16,143,266	5,552,373	489,066	1,788,787	125,058	131,380	-	13,968,085	38,198,015	18,168	38,216,183

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

cont'd

	Attributable to Owners of the Company				
	Non-distributable				
	Share Capital	Share Premium	Share Based Payment Reserve	Accumulated Losses	Total Equity
Company	**RM**	**RM**	**RM**	**RM**	**RM**
Balance as at 1st January 2010	13,333,333	5,061,195	-	(2,621,861)	15,772,667
Issuance of shares	1,333,333	-	-	-	1,333,333
Total comprehensive loss for the financial year	-	-	-	(931,399)	(931,399)
Balance as at 31st December 2010	14,666,666	5,061,195		(3,553,260)	16,174,601
Issuance of shares	1,476,600	487,478	-	-	1,964,078
Share based payment	-	-	492,766	-	492,766
Exercise of employee share option schemes	-	3,700	(3,700)	-	-
Total comprehensive loss for the financial year	-	-	-	(1,005,653)	(1,005,653)
Balance as at 31st December 2011	16,143,266	5,552,373	489,066	(4,558,913)	17,625,792

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before taxation	8,830,806	387,329	(1,005,851)	(930,508)
Adjustments for:				
Amortisation	3,091,769	979,923	-	-
Bad debts written off	-	791,619	-	-
Depreciation	1,803,005	959,588	-	-
Effects of foreign exchange rate changes	71,136	77,768	-	-
(Gain)/loss on disposal of:				
- property, plant and equipment	(72,795)	-	-	-
- assets held for sale	-	(786,605)	-	3,522
- investment in subsidiary	(6,820)	-	32,195	-
Bargain purchase arising from acquisition of subsidiary	(63,219)	-	-	-
Interest expense	575,465	187,050	-	-
Interest income	(21,142)	(5,000)	(752)	(3,563)
Impairment loss on :				
- goodwill on consolidation	-	12,044	-	-
Share-based payment expenses	492,766	-	142,943	-
Property, plant and equipment written off	1,094	6,055	-	-
Operating Cash Flows Before Working Capital Changes	14,702,065	2,609,771	(831,465)	(930,549)
Changes In Working Capital:				
Development costs	-	(500)	-	-
Inventories	307	17,822	-	-
Payables	(2,057,303)	137,939	(2,553,399)	(28,772)
Receivables	(5,197,438)	(6,376,940)	(12,038)	(230)
	7,447,631	(3,611,908)	(3,396,902)	(959,551)
Tax paid	(668,748)	(58,142)	(918)	(891)
Tax refund	-	215,703	-	-
Interest paid	(238,717)	(178,569)	-	-
Interest received	21,142	5,000	752	3,563
Net Operating Cash Flows	6,561,308	(3,627,916)	(3,397,068)	(956,879)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011

cont'd

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES:				
Deposit withdraw/(held) as security value	329,611	(307,734)	-	-
Investment in subsidiaries	-	-	(221,866)	(25,000)
Purchase of property, plant and equipment (Note A)	(149,107)	(161,133)	-	-
Net cash inflow on investment in subsidiaries (Note B)	56,026	104,448	-	-
Net cash outflow on disposal disposal of subsidiary (Note C)	(898)	-	-	-
Proceeds from disposal of assets held for sale (Note D)	-	3	-	-
Proceeds from disposal of property, plant and equipment	78,795	92,431	-	-
Proceeds from disposal of subsidiary	-	-	5	3
Net Investing Cash Flows	314,427	(271,985)	(221,861)	(24,997)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interest paid	(336,748)	(8,481)	-	-
Issuance of share capital	1,476,600	1,333,333	1,476,600	1,333,333
Premium on issuance of share capital	487,478	-	491,178	-
Advance from/(Repayment to) subsidiaries	-	-	1,666,044	(362,426)
Repayment of hire purchase payables	(1,082,269)	(67,632)	-	-
Repayment of leasing liabilities	(154,460)	-	-	-
Net Financing Cash Flows	390,601	1,257,220	3,633,822	970,907
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,266,336	(2,642,681)	14,893	(10,969)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(4,149,588)	(1,506,907)	130	11,099
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	3,116,748	(4,149,588)	15,023	130
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	3,116,748	69,769	15,023	130
Deposits placed with licensed banks	338,191	667,802	-	-
Bank overdraft - secured	-	(4,219,357)	-	-
	3,454,939	(3,481,786)	15,023	130
Less : Deposits held as security value	(338,191)	(667,802)	-	-
	3,116,748	(4,149,588)	15,023	130

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011
cont'd

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment amounting to RM6,040,364/- (2010 : RM197,133/-) of which RM5,967,152/- (2010 : RM40,026/-) were acquired under hire purchase and leasing arrangements. Cash payments amounting to RM75,895/- (2010 : RM4,026/-) were paid towards the hire purchase and leasing liabilities.

B. SUMMARY OF EFFECT ON ACQUISITIONS OF SUBSIDIARIES

Group

2011

(a) On 30th March 2011, the Company acquired 495 ordinary shares of BD100/- each, representing 99% of the total issued and paid up share capital of SMR Gulf WLL ("SMR Gulf") from SMR HR Technologies Sdn. Bhd. ("SMR HRT"), a wholly owned subsidiary of the Company, for a consideration of BD49,500/- or RM221,866/- only.

Following the acquisition, SMR Gulf became a 99% owned subsidiary of the Company.

The acquisition has no impact on the financial position of the Group as it was previously consolidated in SMR HRT's financial statements.

(b) On 19th May 2011, a subsidiary, SMR HRT of the Company acquired 98% equity interest in SMR HR Technologies Private Limited, India (SMR HRT PL) by way of the acquisition of 98,000 units of ordinary shares of INR10/-each for a total consideration of RM6,822/-.

2010

(a) On 3rd May 2010, the Company increased its equity interest in SMR HR Group Sdn. Bhd. ("SMR HRG") from 99.08% to 100% by way of the acquisition of 25,000 ordinary shares of RM1.00/- each in SMR HRG from the existing shareholder of SMR HRG for a total cash consideration of RM25,000/-.

(b) On 18th July 2010, a subsidiary of the Company, SMR HR Technologies Sdn. Bhd. ("SMR HRT"), increased its equity interest in its indirect subsidiary SMR Gulf WLL ("SMR Gulf") from 49% to 99% by way of acquisition of 250 ordinary shares of BD 1/- each in SMR Gulf for a total cash consideration of RM2,157/-.

The effects of the acquisition of subsidiaries on the financial position of the Group are as follows:-

	Group	
	2011	**2010**
	RM	**RM**
Revenue	136,683	-
Less: Cost of sales	(2,818)	-
	133,865	-
Administrative expenses	(69,313)	-
Profit before tax expense	64,552	-
Income tax	-	-
Net profit for the financial year	64,552	-

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011
cont'd

B. SUMMARY OF EFFECT ON ACQUISITIONS OF SUBSIDIARIES *cont'd*

Group *cont'd*

2010 *cont'd*

(b) The effects of the acquisition of subsidiaries on the financial position of the Group are as follows:- *cont'd*

	Group	
	2011	**2010**
	RM	**RM**
Property, plant and equipment	1,277	-
Trade and other receivables	38,601	-
Cash at bank	62,848	-
Amount owing to holding company	(14,853)	
Amount owing to director	(1,143)	
Trade payables and other payables	(15,260)	-
Non controlling interests	(1,429)	(116,492)
Net identifiable assets	70,041	(116,492)
Goodwill on consolidation (Note 7)	-	12,044
Bargain purchase as gain in profit or loss	(63,219)	-
Total purchase consideration	6,822	(104,448)
Less: Cash and cash equivalents	(62,848)	-
Net cash inflow on investment in subsidiaries	(56,026)	(104,448)

C. SUMMARY OF EFFECTS ON DISPOSAL OF SUBSIDIARY

Group

2011

On 26th August 2011, the Group had disposed its wholly owned subsidiary, SMR HR Singapore Pte. Ltd. for a total consideration of RM5/-, representing 100% of the total issued and paid up capital in the company.

The effects of disposal of the subsidiary on the financial position of the Group are as follows:-

	Group
	2011
	RM
Administrative expenses	(58,393)
Income tax	(159)
Net loss for the financial year	(58,552)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011
cont'd

C. SUMMARY OF EFFECTS ON DISPOSAL OF SUBSIDIARY *cont'd*

Group *cont'd*

2011 *cont'd*

The effects of disposal of the subsidiary on the financial position of the Group are as follows:- *cont'd*

	Group 2011 RM
Other receivables and prepayments	(3,015)
Cash and bank balances	(903)
Amount due to related company	42,777
Other payables and accruals	120
Tax payable	31
Net liabilities disposed of	39,010
Goodwill on consolidation written off in previous year	(32,195)
Disposal considerations	5
Gain on disposal of subsidiary	6,820
Cash flow effect:-	
Total proceeds from disposal - cash considerations	5
Less: Cash and cash equivalents of subsidiary disposed	(903)
Net cash outflow on disposal of subsidiary	(898)

D. SUMMARY OF EFFECTS ON DISPOSAL OF ASSETS HELD FOR SALE

On 12th April 2010, the Company had disposed off its wholly owned subsidiary, SMR USA Inc., for a cash consideration of RM3/-. The effects of disposal of the assets held for sale on the financial position of the Group were as follows:-

	Group 2010 RM
Trade and other receivables	82,813
Cash and bank balances	150,974
Trade and other payables	(228,770)
Net assets disposed	5,017
Gain on disposal of subsidiary	786,605
Bad debts written off - amount due from former subsidiary	(791,619)
Total sale consideration	3
Less: Cash and cash equivalents	-
Net cash inflow on disposal of assets held for sale	3

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally engaged in investment holding. The principal activities of the subsidiaries and associate are set out in Note 5 and Note 6 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 liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Suite 2A-23-1, Block 2A, Level 23, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur.

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 27th April 2012.

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 Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

At the beginning of current financial year, the Group and the Company had adopted new and revised FRS which are applicable to the Group and The Company as described fully in Note 2.2 to the financial statements.

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

The preparation of financial statements in conformity with FRS, requires the directors to make certain 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 revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, therefore 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 statements.

2.2. New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

<u>Revised FRSs</u>	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2. New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") *cont'd*

(a) *Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int* *cont'd*

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition-related costs incurred by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS139, FRS137 or other FRSs, as appropriate (rather than by adjusting goodwill);

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;

- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2. New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") *cont'd*

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int *cont'd*

FRS 3 Business Combinations (Revised) *cont'd*

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and

- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year.

FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2. New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") *cont'd*

IC Int 12 Service Concession Arrangements

This IC Int applies to operators of infrastructure for public-to-private service concession arrangement and sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements such as the treatment of the operator's rights over the infrastructure, the recognition and measurement of arrangement consideration, subsequent accounting treatment of a financial asset and an intangible asset and the accounting treatment for the borrowing costs. This interpretation has to be applied retrospectively unless it is impracticable to do soand in that casethe financial assets and intangible assetsthat existed shall be recognised at the start of the earliest period presented by using their previous carrying amounts as their carrying amount as at that date and test for impairment. This interpretation did not have any financial impact on the Group and the Company.

(b) New and revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, 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 FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Revised FRSs		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 9	Financial Instruments	1 March 2012
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments: Presentation	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2. New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") *cont'd*

(b) New and revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early *cont'd*

		Effective for financial periods beginning on or after
IC Int		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, 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.

FRS 9 Financial Instruments

FRS 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 of the former FRS 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.

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

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2. New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") *cont'd*

(b) New and revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early *cont'd*

FRS 11 Joint Arrangements

FRS 11 supersedes the former FRS 131 Interests in Joint Ventures. Under FRS 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 its 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.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS 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.

FRS 13 Fair Value Measurement

FRS 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.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

FRS 128 Investments in Associates and Joint Ventures (Revised)

This revised FRS 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 FRS 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 FRS 9.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

2.2. **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")** *cont'd*

(c) MASB Approved Accounting Standards, 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 MASB had on 19th November 2011 issue 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 for an additional one year. 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 Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

As at 31st December 2011, 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 as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2 (b). The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

<u>Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")</u>

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 are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS1 cannot be determined and estimated reliably until the process is completed.

2.3. **Significant Accounting Policies**

(a) Basis of Consolidation and Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(a) Basis of Consolidation and Subsidiaries cont'd

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control ceases. The cost of an acquisition is measured as the fair value of the assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any non controlling interest.

Intra-group transactions, balances and resulting unrealised gains on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation unless costs cannot be recovered. When necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through subsidiary. It is measured at the non-controlling interest holders' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the non-controlling interest holders' share of changes in the subsidiary's equity since that date.

Any loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In accordance with FRS 127, Consolidated and Separate Financial Statements (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences and carrying amount of goodwill that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interests. 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.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(b) Associates *cont'd*

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

Goodwill relating to an associate is in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

On disposal of such investment, the differences between net disposals proceed and the carrying amount of the investment in an associate is reflected as a gain or loss on disposal in the consolidated statement of comprehensive income.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment were initially stated at cost. Property which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment loss, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m).

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

Depreciation is charged on a straight line basis to write off the costs of the assets to their residual values over the estimated useful lives. The annual rates used for this purpose are as follows:-

Office suite	2%
Library	10% - 20%
Computer Office	20%
Computer for development activities	20%
Computer software	20%
Office equipment	10% - 20%
Furniture and fittings	10%
Motor vehicles	20%
Renovation	20%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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

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 profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(d) Revaluation of Assets

Land and buildings at valuation are revalued at a regular interval of a least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the statement of comprehensive incomes. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

(e) Goodwill on Consolidation

i. Acquisition before 1st January 2011

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in profit or loss.

ii. Acquisition on or after 1st January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(f) Intellectual Property Rights

Intellectual property rights are stated at cost less accumulated amortisation and impairment loss, if any. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.3(m).

This expenditure is capitalised as it is able to generate future economic benefits to the Company. Intellectual property rights are amortised from the commencement of the income recognition to which they relate on the straight line basis over the period of expected benefit but not exceeding twenty years.

(g) Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is also recognised as an expense in the period incurred except when the expenditure meets the following criteria where it will be capitalised as development cost:

(i) the product or process is clearly defined and costs are separately identified and measured reliably;
(ii) the technical feasibility of the product is demonstrated;
(iii) the product or process will be sold or used in-house;
(iv) the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness, in case of internal use, is demonstrated); and
(v) adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment loss. Development costs are amortised from the commencement of the income recognition to which they relate on the straight line basis over five years. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.3(m).

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories cost is determined on a first-in-first-out method.

Cost includes the actual cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and applicable variable selling expenses.

(i) Finance leases

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(i) Finance leases *cont'd*

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(j) Income Tax

The tax expense in the statement of comprehensive income represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising 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 reporting date. 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 charge or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(k) Foreign Currency Translation

(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 ("RM"), 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 statement of comprehensive income.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity, When a gain or loss on a non-monetary item is recognised in the statement of comprehensive income, any corresponding exchange gain or loss is recognised in the statement of comprehensive income.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

2.3. **Significant Accounting Policies** *cont'd*

(k) Foreign Currency Translation *cont'd*

(iii) Foreign entities

The results and financial position of all the foreign entities (none of which has the currency of a hyperinflationary economy) 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 date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange difference arising from the translation of net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

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.

(l) Financial Instruments

Financial instruments are recognised in the statements 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, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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 as other gains or losses in statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(l) Financial Instruments *cont'd*

(i) Financial Assets cont'd

Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. 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

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. 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 are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(l) Financial Instruments *cont'd*

(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:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) 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.

(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.

(m) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(m) Impairment of Assets cont'd

(i) Impairment of Financial Assets cont'd

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Impairment of Non-financial Assets

The Group assesses at each reporting date 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 makes an estimate of the asset's recoverable amount.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

2.3. **Significant Accounting Policies** *cont'd*

(n) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

(o) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Income from software consultancy and development

Income from software consultancy, training and development is recognised upon services rendered to customers and customers' acceptance, net of discounts.

(ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iii) Interest income

Interest income is recognised on an accrual basis.

(p) Borrowing Costs

Borrowing costs are charged to profit or loss as an expense in the period in which they are incurred.

(q) Employee Benefits

(i) Short term employee benefits

Wages, salaries, allowances, social security contribution, bonuses and non-monetary benefits are recognised as an expense 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the statement of comprehensive income in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

2.3. **Significant Accounting Policies** *cont'd*

(q) Employee Benefits *cont'd*

(iii) Employee share option schemes

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

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retaind earnings upon expiry of the share potions. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

(r) Operating Segments

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

(s) Assets Held For Sale

The Group shall classify an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The assets classified as assets held for sale will be measured at the lower of its carrying amount and fair value less costs to sell.

No depreciation or amortisation is provided against the assets while it is classified as assets held for sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as assets held for sale shall be measured at the lower of its carrying amount before the asset was classified as assets held for sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not be classified as assets held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3. Significant Accounting Policies *cont'd*

(t) Share Capital

Ordinary shares

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 reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

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.

(u) Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

Key Sources of Estimation Uncertainty

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.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, 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:-

(i) Useful lives of property, plant and equipment

The Group estimate the useful lives of property, plant and equipment based on 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 expectation differs 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 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 amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

Key Sources of Estimation Uncertainty *cont'd*

(ii) Impairment of development costs, property, plant and equipment and intangible assets

The Company assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not 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 flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

As at reporting date, the directors of the Company are of the opinion that there is no impact resulting from the impairment review by the management.

(iii) Impairment of investment in subsidiaries and associate

The Company carried out the impairment test based on a variety estimation of including the value-in-use of the cash generating unit. Estimating a value-in-use amount requires the Company to make an estimation of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The management determined the recoverable amount of the investment in subsidiaries 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 balance sheet date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

In view of the above, the management are in the opinion that no impairment is required for the investment in subsidiaries as at statement of financial position date.

(iv) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate 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. The carrying amount of goodwill as at 31st December 2010 was RM6,663,251 /- (2010 : RM6,663,251/-).

(v) Amortisation of development costs

Amortisation is commenced upon the commercialisation of the relevant products. Development costs are amortised on a straight line basis over their estimated economic useful lives. The management estimates that the useful lives of the development costs to be 5 years. The carrying amount of the Group's development costs as at 31st December 2011 is RM13,354,710/- (2010 : RM16,408,284/-) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the development costs. Therefore the future amortisation charge could be revised.

(vi) Allowance for impairment

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

Key Sources of Estimation Uncertainty *cont'd*

(vii) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(viii) Deferred tax liabilities

The Group recognises deferred tax liabilities in the statement of comprehensive income which are expected to be realised after the pioneer period. Significant management judgement is required to determine the amount of deferred tax liabilities that are expected to be realised within the pioneer period, based upon the likely timing and level of future operations. The carrying value of recognised deferred tax liabilities of the Group as at 31st December 2011 in respect of the deferred tax liabilities that are expected to be realised during the pioneer period was RM Nil (2010 : RM134,086/-).

(ix) Income taxes

Significant judgement is required in determining the capital allowances and deductibility 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 ad deferred income tax provisions in the period in which such determination is made.

(x) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying values of unrecognised deferred tax assets on the tax losses of the Group was RM203,085/- (2010 : RM373,597/-).

(xi) Employee share options schemes

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment reserves requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment reserves and the carrying amounts are disclosed in Note 16.

4. PROPERTY, PLANT AND EQUIPMENT

Group

2011	**Office Suite**	**Library**	**Computer Office**	**Computer for Development Activities**	**Computer Software**	**Office Equipment**	**Furniture and Fittings**	**Motor Vehicles**	**Renovation**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Cost/Valuation										
At 1st January 2011	3,900,000	948,402	709,593	3,402,150	1,613,576	286,560	1,625,703	423,108	13,298	12,922,390
Acquisition of subsidiary	-	-	-	-	-	1,277	-	-	-	1,277
Additions	-	4,104	412,181	-	-	5,848	5,079	5,613,152	-	6,040,364
Disposals/write off	-	-	(6,000)	-	-	-	(2,116)	(285,460)	-	(293,576)
Reclassification	-	(1,510)	12,093	-	(12,089)	-	1,506	-	-	-
Effect of foreign exchange difference	-	-	477	-	-	-	643	-	-	1,120
At 31st December 2011	3,900,000	950,996	1,128,344	3,402,150	1,601,487	293,685	1,630,815	5,750,800	13,298	18,671,575
Representing :-										
At cost	-	950,996	1,128,344	3,402,150	1,601,487	293,685	1,630,815	5,750,800	13,298	14,771,575
At valuation	3,900,000	-	-	-	-	-	-	-	-	3,900,000
	3,900,000	950,996	1,128,344	3,402,150	1,601,487	293,685	1,630,815	5,750,800	13,298	18,671,575
Accumulated Depreciation										
At 1st January 2011	175,500	802,636	514,899	3,341,915	1,241,516	243,603	768,193	326,590	7,980	7,422,832
Depreciation for the financial year	78,000	127,125	170,795	40,704	184,586	25,820	161,696	1,048,931	2,660	1,840,317
Disposals/write off	-	-	-	-	-	-	(1,022)	(285,460)	-	(286,482)
Reclassification	-	(1,504)	3,757	-	(3,757)	-	1,504	-	-	-
Effect of foreign exchange difference	-	-	281	-	-	-	361	-	-	642
At 31st December 2011	253,500	928,257	689,732	3,382,619	1,422,345	269,423	930,732	1,090,061	10,640	8,977,309
Carrying Amounts										
At 31st December 2011	3,646,500	22,739	438,612	19,531	179,142	24,262	700,083	4,660,739	2,658	9,694,266
Representing :-										
At cost	-	22,739	438,612	19,531	179,142	24,262	700,083	4,660,739	2,658	6,047,766
At valuation	3,646,500	-	-	-	-	-	-	-	-	3,646,500
	3,646,500	22,739	438,612	19,531	179,142	24,262	700,083	4,660,739	2,658	9,694,266

NOTES TO THE FINANCIAL STATEMENTS
cont'd

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group

2010	Office Suite	Library	Computer Office	Computer for Development Activities	Computer Software	Office Equipment	Furniture and Fittings	Motor Vehicles	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost/Valuation										
At 1st January 2010	3,900,000	948,161	1,826,299	4,332,785	1,605,244	285,271	1,642,415	383,082	13,298	14,936,555
Additions	-	243	136,292	-	8,332	3,280	8,960	40,026	-	197,133
Disposals/Write off	-	(2)	(1,251,208)	(930,635)	-	(1,991)	(23,558)	-	-	(2,207,394)
Effect of foreign exchange difference	-	-	(1,790)	-	-	-	(2,114)	-	-	(3,904)
At 31st December 2010	3,900,000	948,402	709,593	3,402,150	1,613,576	286,560	1,625,703	423,108	13,298	12,922,390
Representing :-										
At cost	-	948,402	709,593	3,402,150	1,613,576	286,560	1,625,703	423,108	13,298	9,022,390
At valuation	3,900,000	-	-	-	-	-	-	-	-	3,900,000
	3,900,000	948,402	709,593	3,402,150	1,613,576	286,560	1,625,703	423,108	13,298	12,922,390
Accumulated Depreciation										
At 1st January 2010	97,500	675,902	1,541,025	3,592,120	922,010	194,822	620,513	243,303	5,320	7,892,515
Depreciation for the financial year	78,000	126,734	136,895	680,430	319,506	49,044	163,462	83,287	2,660	1,640,018
Disposals/Write off	-	-	(1,162,688)	(930,635)	-	(263)	(15,322)	-	-	(2,108,908)
Effect of foreign exchange difference	-	-	(333)	-	-	-	(460)	-	-	(793)
At 31st December 2010	175,500	802,636	514,899	3,341,915	1,241,516	243,603	768,193	326,590	7,980	7,422,832
Carrying amounts										
At 31st December 2010	3,724,500	145,766	194,694	60,235	372,060	42,957	857,510	96,518	5,318	5,499,558
Representing :-										
At cost	-	145,766	194,694	60,235	372,060	42,957	857,510	96,518	5,318	1,775,058
At valuation	3,724,500	-	-	-	-	-	-	-	-	3,724,500
	3,724,500	145,766	194,694	60,235	372,060	42,957	857,510	96,518	5,318	5,499,558

a. The office suite has been revalued by the directors on 22nd September 2008 based on their open market values as ascertained through an independent valuation carried out by PPC International Sdn. Bhd.

b. Had the revalued office suite been carried at historical costs less accumulated depreciation, the carrying amount of the office suite that would have been included in the financial statements at the end of the financial year is RM1,864,066/- (2010 : RM1,905,721/-).

c. The office suite with the carrying amount of RM3,646,500/- (2010 : RM3,724,500/-) has been pledged as security for banking facilities granted to the subsidiary as disclosed in Note 24 and Note 30 to the financial statements.

d. Motor vehicles and computer office of the Group with total carrying amount of RM4,659,064/- (2010 : RM93,971/-) and RM283,200/- (2010:RM Nil) were acquired under hire purchase and lease arrangements respectively.

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

e. Included in property, plant and equipment of the Group are fully depreciated assets which are still in use, with a cost as follows:-

	Group 2011 RM	Group 2010 RM
Computer - office	1,141,532	245,928
Computer for development activities	3,304,382	3,198,628
Office equipment	227,702	147,451
Library	308,901	308,496
Furniture and fittings	31,560	31,560
	5,014,077	3,932,063

f. Included in depreciation for the financial year is an amount of RM37,312/- (2010 : RM680,430/-) capitalised in development costs as disclosed in Note 9 to the financial statements.

5. INVESTMENT IN SUBSIDIARIES

	Company 2011 RM	Company 2010 RM
Unquoted shares - at cost		
At 1st January	14,262,657	14,237,657
Employee share option schemes granted to employees of subsidiary	346,123	-
Acquisition of subsidiary	221,866	25,000
Less: Disposal of subsidiary	(32,200)	-
	14,798,446	14,262,657
Less : Impairment loss		
At 1st January/31st December	100,000	100,000
Carrying amount		
At 31st December	14,698,446	14,162,657

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. INVESTMENT IN SUBSIDIARIES *cont'd*

The Company's equity interest in the subsidiaries, country of incorporation and its principal activities are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	2010 %	Principal Activities
Direct subsidiaries				
SMR HR Technologies Sdn. Bhd.	Malaysia	100	100	Software consultancy and development and its related activities.
SMR HR Group Sdn. Bhd.	Malaysia	100	100	Provision of HRD solutions covering training, consulting, outsourcing, events, learning resources and advisory support services.
SMR Events Sdn. Bhd. (formerly known as SMR HR Services Sdn. Bhd.)	Malaysia	100	100	Dormant.
SMR Films Sdn. Bhd. ^ (formerly known as SMR Services Sdn. Bhd.)	Malaysia	100	100	Dormant.
Agensi Pekerjaan SMR Talent Search Sdn. Bhd.	Malaysia	100	100	Business of recruitment, employment agency, job placement services and other consultancy related services.
SMR HR Singapore Pte. Ltd. #*	Singapore	-	100	HR consulting, training and related activities.
SMR Gulf WLL#**	Kingdom of Bahrain	99	-	HR consulting, HR development, training and its related activities
Indirect subsidiaries				
SMR Gulf WLL #	Kingdom of Bahrain	-	99	HR consulting, HR development, training and its related activities.
SMR HR Tech PVT Ltd #***	India	98	-	Providing software consulting and HR development solutions covering training, consulting, outsourcing, events, learning resources and advisory support services.

2011

* *On 26th August 2011, the Company disposed of its 100% of its equity interest in SMR HR Singpore Pte Ltd., comprising 2 ordinary shares of S$1.00 each for a total consideration of S$2/- equivalent to RM5/-.*

** *On 30th March 2011, the Company acquired of 495 ordinary shares of Bahraini Dinar(BD) 100 each representing 99% equity interest in SMR Gulf WLL for a total cash consideration of BD49,500/- or RM221,866/- only.*

*** *On 23rd May 2011, the direct subsidiary, SMR HR Technologies Sdn. Bhd. ("SMR HRT") had acquired 98% equity interest in its indirect subsidiary SMR HR Technologies Pvt. Ltd. ("SMR HRT PL") by way of acquisition of 9,800 ordinary shares for a total cash consideration of RM6,822/-.*

These subsidiaries are audited by another firm other than Baker Tilly Monteiro Heng.

^ *In view of the capital deficiencies reported by this subsidiary, the auditor's report for this subsidiary contain an emphasis of matter relating to the appropriateness of the going concern basis of accounting used in the preparation of their financial statements.*

6. INVESTMENT IN AN ASSOCIATE

	Group 2011 RM	Group 2010 RM
Outside Malaysia		
Unquoted shares - at cost	690	690
Share of post-acquisition profit	35,970	35,970
	36,660	36,660
Less : Impairment loss	(36,660)	(36,660)
	-	-
Represented by :-		
Share of net assets	-	-

The Group's equity interest in the associate, country of incorporation and its principal activities are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %	Principal Activity
SMR HR (B) Sdn. Bhd. # ∞	Brunei	30	30	Providing training services.

\# *The associate is audited by another firm other than Baker Tilly Monteiro Heng.*

∞ *During the financial year, the associate has successfully applied for de-registration with the Registrar of Companies (Brunei).*

The summarised financial information of the associate is as follows:

	Group 2011 RM	Group 2010 RM
Assets and liabilities		
Total assets	-	-
Total liabilities	-	-
Results		
Profit for the financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. GOODWILL ON CONSOLIDATION

	Group 2011 RM	Group 2010 RM
Costs		
At 1st January	6,678,095	6,666,051
Acquisition of subsidiaries	-	12,044
At 31st December	6,678,095	6,678,095
Less : Impairment loss		
At 1st January	14,844	2,800
Impairment during the financial year	-	12,044
At 31st December	14,844	14,844
Carrying amount		
At 31st December	6,663,251	6,663,251

During the financial year, the management has carried out a review of the recoverable amount of goodwill. The recoverable amounts of the CGUs have been determined based on value in use calculating using cash flow projections from financial budgets approved by management covering a five year period.

Information of testing of goodwill

Goodwill has been allocated to the Group's CGU identified according to country of operations as follows:

	2011 RM	2010 RM
Malaysia - Software development		
At 1st January/ 31st December	6,663,251	6,663,251

Key assumption used in value-in-use calculations

The key assumptions used for value-in-use calculations are:-

	Gross margin		Growth rate		Discount rate	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Software development	70	65	20	15	3	3

The following describes each key assumption on which management has based its cash flow projections to undertake impairment test of goodwill:

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.

7. **GOODWILL ON CONSOLIDATION** *cont'd*

Key assumption used in value-in-use calculations *cont'd*

(b) Growth rate

The growth rates used are based on the expected projection of the software solutions.

(c) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Sensitivity to changes in assumptions

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

8. **INTANGIBLE ASSETS**

	Group	
	2011	**2010**
	RM	**RM**
Intellectual Property Rights		
Costs		
At 1st January	981,701	981,701
Less : Accumulated amortisation		
At 1st January	980,818	971,605
Amortisation for the financial year	883	9,213
At 31st December	981,701	980,818
Carrying amount		
At 31st December	-	883

NOTES TO THE FINANCIAL STATEMENTS
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9. DEVELOPMENT COSTS

	Group	
	2011	**2010**
	RM	**RM**
Costs		
At 1st January	22,594,237	21,913,307
Additions during the financial year	37,312	680,930
At 31st December	22,631,549	22,594,237
Less : Accumulated amortisation		
At 1st January	6,185,953	5,215,243
Amortisation for the financial year	3,090,886	970,710
At 31st December	9,276,839	6,185,953
Carrying amount		
At 31st December	13,354,710	16,408,284

Included in development costs is an amount of RM37,312/- (2010 : RM680,430/-) depreciation which has been capitalised during the financial year.

10. INVENTORIES

	Group	
	2011	**2010**
	RM	**RM**
At Cost		
Consumable inventories	46,889	47,196

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Trade receivables	11,661,100	6,248,836	-	-
Other receivables	157,595	9,256	-	-
Prepayments	155,032	559,692	13,518	1,480
Deposits	263,536	186,455	-	-
	12,237,263	7,004,239	13,518	1,480

a. The Group's normal trade credit terms range from 30 to 90 days (2010 : 30 to 90 days). The credit terms are assessed and approved on a case-by-case basis.

11. TRADE AND OTHER RECEIVABLES *cont'd*

b. The foreign currency exposure profiles on trade receivables are as follows:-

	Group 2011 RM	Group 2010 RM
Ringgit Malaysia	5,722,094	4,537,071
United States Dollar	4,269,754	797,135
Brunei Dollar	30,777	118,074
Bahrain Dollar	247,177	335,545
Euro	-	158,385
Qatar Riyal	53,988	227,840
Singapore Dollar	12,214	-
Saudi Riyals	43,148	-
Arab Emirates Dollar	1,281,948	74,786
	11,661,100	6,248,836

c. Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2011 RM	Group 2010 RM
Neither past due nor impaired	8,338,618	5,143,931
1 to 30 days past due not impaired	580,168	171,279
31 to 60 days past due not impaired	1,283,870	93
61 to 90 days past due not impaired	418,346	702,385
91 to 120 days past due not impaired	40,315	-
More than 121 days past due not impaired	999,783	231,148
	3,322,482	1,104,905
Impaired	-	-
	11,661,100	6,248,836

d. Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired at the reporting date are creditworthy receivables.

e. Receivables that are past due but not impaired

At the reporting date, the Group has trade receivables amounting to RM3,322,482/- (2010: RM1,104,905/-) that are past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS
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11. TRADE AND OTHER RECEIVABLES *cont'd*

e. Receivables that are past due but not impaired *cont'd*

Trade receivables that are past due but not impaired related to customers that have good track payment records with the Group. Based on the past experience and no adverse information to date, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances still considered fully recoverable.

f. Receivables that are impaired

None of the Group's trade receivables are impaired at the reporting date.

12. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2011	**2010**
	RM	**RM**
Amount due from subsidiaries	7,252,550	5,559,433
Amount due to subsidiaries	4,279,440	920,279

The amount due from/(to) subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

13. DEPOSITS PLACED WITH LICENSED BANKS

Group

The deposits placed with licensed banks are pledged to certain banks to secure banking facilities granted to the Group as disclosed in Notes 24 and 30 to the financial statements.

The deposits placed with licensed banks earned interest at 2.00% to 3.15% (2010 : 3.00% to 3.70%) per annum.

14. SHARE CAPITAL

Ordinary shares of RM0.10 each	Group and Company 2011 Number of Shares Units	2011 RM	2010 Number of Shares Units	2010 RM
Authorised:				
At 1st January/31st December	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid:				
At 1st January	146,666,666	14,666,666	133,333,333	13,333,333
Issuance of shares via				
- private placement	14,666,000	1,466,600	13,333,333	1,333,333
- exercise of employee share option schemes	100,000	10,000	-	-
At 31st December	161,432,666	16,143,266	146,666,666	14,666,666

The Company has an employee share potion plans under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group and of the Company.

15. SHARE PREMIUM

	Group and Company 2011 RM	2010 RM
At 1st January	5,061,195	5,061,195
Issuance of share via private placement	483,978	-
Exercise of employee share option scheme	7,200	-
At 31st December	5,552,373	5,061,195

The share premium arrived at after accounting for the premium received over the nominal value of the shares issued to the public, less subsequent capitalisation for bonus issue of the Company, if any, and share issuance expenses.

16. SHARE BASED PAYMENT RESERVE

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

Employee share option scheme ("ESOS")

Under the Employee Share Option Scheme ("ESOS"), share options are granted to the eligible local employees (Malaysia) and overseas subsidiaries employees.

16. SHARE BASED PAYMENT RESERVE *cont'd*

Employee share option scheme ("ESOS") *cont'd*

During the financial year, the Company had granted total 24,481,333 share options under the employee share option scheme. Details of all the options granted as at 31st December 2011 are as follows:-

Grant Date	Vesting Date	Exercise price (RM)	Number of options	Vesting Condition	Contractual life of options
3rd June 2011	3rd June 2011	0.135	7,620,000	The employee holding options must generally still be in service with the Company up to the end of the option period.	5 years
	1st July 2012	0.135	6,350,000		
	1st July 2013	0.135	7,423,333		
7th July 2011	7th July 2011	0.135	1,038,000		
	1st July 2012	0.135	950,000		
	1st July 2013	0.135	1,100,000		
			24,481,333		

The aggregate number of shares to be issued under the ESOS shall not exceed 20% of the total issued and paid up ordinary share capital of the Company for the time being. The scheme shall be in force for duration of 5 years effective 16 June 2010 or may be extended for a further period of up to five (5) years at the discretion of the Board upon the recommendation of the Option Committee. The selection of any employee for participation in the Scheme shall be at the discretion of the Option Committee and the decision of the Option Committee shall be final and binding. All options are to be settled by physical delivery of shares.

Movement of share options during the financial year

The following table illustrates the weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:-

	Number of ordinary shares Unit	WAEP RM
Outstanding as at 1st January	-	-
- Granted	24,481,333	0.135
- Excercised	(100,000)	0.135
Outstanding as at 31st December	24,381,333	
Excerciseable as at 31st December	24,381,333	

(i) The weighted average share price at the date of exercise of the option exercised during the financial year was RM0.135;

(ii) The exercise prices for options outstanding as at the end of the year was RM0.135. The weighted average remaining contractual life for these options is 3.5 years.

16. SHARE BASED PAYMENT RESERVE *cont'd*

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a binomial option pricing model, taking into accounts the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models for the financial year ended 31st December 2011.

Parameter and Assumptions	Grant date of 3rd June 2011	Grant date of 7th July 2011
Share price at valuation date	RM0.155	RM0.140
Exercise price	RM0.135	RM0.135
Risk-free interest rate (% p.a.)	3.17%	3.16%
Expected life of option (years)	1.727	1.805
Dividend yield (% p.a.)	0.50%	0.50%
Expected volatility (% p.a.)	90.00%	90.00%
Rate of leaving services (% p.a.)	Prior to vesting date	Prior to vesting date
	0.00%	0.00%
	After vesting date	After vesting date
	50.00%	50.00%
Early Exercise Behaviour	Option holders exercise when the share price is at least 35% higher that the exercise price	Option holders exercise when the share price is at least 35% higher that the exercise price

The early exercise behaviour is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be the actual outcome.

Value of the employee services received for issue of share options

	Group 2011 RM	Company 2011 RM
Total expenses recognised as share-based payments share options granted during the financial year	492,766	146,643

Certain share options expenses is not recognised in the profit or loss of the Company as it has been re-charged to the subsidiaries benefits from the services of the employees.

17. REVALUATION RESERVE

	Group 2011 RM	Group 2010 RM
At 1st January	1,825,293	1,862,544
Amortisation for the financial year	(36,506)	(37,251)
At 31st December	1,788,787	1,825,293

The revaluation reserve represents the surplus arising from revaluation of office suite based on a valuation on 22nd September 2008.

NOTES TO THE FINANCIAL STATEMENTS
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18. FOREIGN CURRENCY TRANSLATION

The foreign currency translation reserve comprises all foreign currency 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.

19. LEGAL RESERVE

The legal reserve derived from its direct subsidiary, namely SMR Gulf WLL, where under the Bahrain Commercial Companies Law, at least 10% of the profit for each year has to be transferred to the legal reserve until such time the reserve total is 50% of the issued capital of the company. The reserve is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Law.

20. HIRE PURCHASE PAYABLES

Hire purchase obligations repayable are as follows:

	Group	
	2011	**2010**
	RM	**RM**
Future minimum hire purchase payments		
- not later than one year	1,580,040	79,774
- later than one year and not later than five years	3,387,592	71,618
- later than five years	208,318	-
	5,175,950	151,392
Future interest charges	(580,352)	(10,782)
Present value of hire purchase payables	4,595,598	140,610
Current		
- not later than one year	1,295,278	74,041
Non-current		
- later than one year and not later than five years	3,099,733	66,569
- later than five years	200,587	-
	4,595,598	140,610

Hire purchase bear interest ranging from 3.91% to 6.34% (2010 : 2.50% to 10.00%) per annum.

21. LEASING LIABILITIES

Leasing obligations are repayable as follows:-

	Group	
	2011	2010
	RM	RM
Future minimum leasing payments		
- not later than one year	144,772	-
- later than one year and not later than five years	72,485	-
	217,257	-
Future interest charges	(17,717)	-
Present value of leasing liabilities	199,540	-
Current:		
- not later than one year	132,003	-
Non-current		
- later than one year and not later than five years	67,537	-
	199,540	-

The leasing liabilities is bear interest at 6.63% (2010: Nil) per annum.

22. DEFERRED TAX LIABILITIES

	Group	
	2011	2010
	RM	RM
At 1st January	134,086	66,774
Transfer (to)/from profit or loss (Note 28)	(114,793)	67,312
At 31st December	19,293	134,086

22. DEFERRED TAX LIABILITIES *cont'd*

Representing the tax effects of:-

Group	At 1st January	Recognised in the Profit or Loss	Not Recognised in the Profit or Loss	At 31st December
2011	**RM**	**RM**	**RM**	**RM**
Temporary differences between carrying amount of property, plant and equipment and the corresponding tax written down values	536,342	(459,172)	-	77,170
Tax at 25%	134,086	(114,793)	-	19,293
2010				
Temporary differences between carrying amount of property, plant and equipment and the corresponding tax written down values	601,862	269,248	(858,254)	12,856
Expected to realise during the pioneer period	(334,768)	-	858,254	523,486
Expected to realise after the pioneer period	267,094	269,248	-	536,342
Tax at 25%	66,774	67,312	-	134,086

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Trade payables	279,779	750,977	-	-
Other payables	251,597	536,483	68,653	187,103
Accruals	1,700,490	663,208	6,543	91,379
	1,952,087	1,199,691	75,196	278,482
Vendor account	-	2,350,338	-	2,350,338
	2,231,866	4,301,006	75,196	2,628,820

23. TRADE AND OTHER PAYABLES *cont'd*

Group

a. The normal trade credit terms granted to the Group range from 30 to 90 days (2010 : 30 to 90 days).

b. The foreign currency exposure profiles on the trade payables are as follows:-

	Group	
	2011	**2010**
	RM	**RM**
Ringgit Malaysia	264,630	713,148
United States Dollar	-	5,304
Pound Sterling	15,149	-
Saudi Riyal	-	15,548
Australian Dollar	-	16,977
	279,779	750,977

c. On 1st July 2008, the Company acquired 2,086,000 ordinary shares of RM1/- each in SMR HR Group Sdn. Bhd ("SMR HRG"), representing 76.86% of the issued and paid-up share capital of SMR HRG for a consideration of RM2,378,040/-.

In consideration of the acquisition of SMR HRG from the vendor, the vendor had granted a profit guarantee that SMR HRG's profit for the financial period from 1st January 2008 to 30th June 2009 shall not be less than RM3,000,000/-

The Company had paid the purchase consideration of RM713,412/- by cash and the settlement of the remaining balance of RM1,664,628/- is subject to the successful achievement of the profit guarantee commitment.

On 1st April 2009 and 17th August 2009, the Company had further acquired additional 1,500 and 601,500 ordinary shares from existing shareholders of SMR HRG for a consideration of RM1,710/- and RM685,710/- respectively. The consideration of RM1,710/- is paid by cash and the remaining balance of RM 685,710/- is represented as an amount due to the vendor, which is also subject to the achievement of the profit guarantee commitment.

In June 2009, SMR HRG had achieved the profit guarantee committed by the vendor. As a result, the balance of RM2,350,338/- payable represents the purchase consideration due to the vendor of SMR HRG. During the financial year, the Company has paid in full the amount owing to the vendor.

24. BANK OVERDRAFTS - SECURED

The bank overdrafts of the subsidiary are secured by way of:-

(i) Fresh Facility Agreement and Deed of Assignment over one unit of the Group's office suite;
(ii) against existing deposits placed with licensed bank;
(iii) quarterly sinking fund of RM20,000/- to be placed until the overdraft of RM1,000,000/- is fully secured; and
(iv) corporate guarantees by the Company
(v) An amount of RM25,000/- to be reduced annually until overdraft of RM2,000,000/- is fully secured.

Bank overdraft bear interest at rates ranging from 7.55% to 8.60% (2010 : 5.55% to 9.05%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
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25. REVENUE

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Software consultancy and development	5,633,504	2,250,823	-	-
Training	36,969,197	8,265,080	-	-
Consulting	1,839,849	1,276,568	-	-
	44,442,550	11,792,471	-	-

26. OPERATING PROFIT/(LOSS)

Operating profit/(loss) has been arrived at:-

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
After charging:-				
Amortisation:				
- intellectual property rights	883	9,213	-	-
- development costs	3,090,886	970,710	-	-
Audit fees:				
- current year	56,530	52,133	12,000	10,500
- under accrual in prior year	11,300	13,560	2,000	2,100
Bad debt written off	-	791,619	-	-
Depreciation	1,803,005	959,588	-	-
Directors' remuneration:				
- fees	93,720	85,150	91,489	72,000
- salaries and allowances	900,275	923,999	444,000	420,000
- Employees' Provident Fund and SOCSO	95,976	85,754	41,044	41,040
- meeting fees	25,500	26,250	25,500	26,250
Loss on disposal of assets held for sale	-	-	-	3,522
Loss on disposal of investment in subsidiary	-	-	32,195	-
Impairment loss :				
- goodwill on consolidation	-	12,044	-	-
Property, plant and equipment written off	1,094	6,055	-	-
Realised loss on foreign exchange	111,753	64,322	-	-
Rental:				
- office	191,617	131,524	-	-
- office equipment	5,720	2,520	-	-
- car	14,021	14,679	-	-
- card auto machine	1,208	1,200	-	-
Staff costs:				
- salary, wages, allowances and bonus	3,062,918	2,504,876	-	-
- other staff related expenses	200,262	110,924	1,582	2,780
- Employees' Provident Fund and SOCSO	280,052	253,277	-	-
Share based payment expenses	492,766	-	146,643	-

26. OPERATING PROFIT/(LOSS) *cont'd*

Operating profit/(loss) has been arrived at:- *cont'd*

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
and crediting:-				
Gain on disposal of:				
- assets held for sale	-	786,605	-	-
- property, plant and equipment	72,795	-	-	-
- investment in subsidiary	6,820	-	-	-
Bargain purchase arising from acquisition of subsidiary	63,219	-	-	-
Interest income	21,142	5,000	752	3,563

27. FINANCE COSTS

	Group	
	2011	**2010**
	RM	**RM**
Interest expense		
- hire purchase	(318,159)	(8,481)
- leasing	(18,589)	-
- overdraft interest	(238,717)	(178,569)
	(575,465)	(187,050)

28. TAXATION

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Income tax				
- current year	(575,291)	(185,984)	(693)	(891)
- prior year	(37,723)	2,457	891	-
Deferred tax liabilities (Note 22)				
- current year	89,733	71,857	-	-
- prior year	25,060	(139,169)	-	-
	(498,221)	(250,839)	198	(891)

28. TAXATION *cont'd*

Group

SMR HR Technologies Sdn. Bhd., a wholly-owned subsidiary, was awarded Multimedia Super Corridor Status ("MSC Status") on 29th January 2001 thereby making the said subsidiary eligible for Pioneer Status for 100% tax exemption for a period of ten years or an investment tax allowance for up to five years and no duties on the importation of multimedia equipment. On 27th March 2008, the said subsidiary was subsequently granted an extension for its MSC Status by Multimedia Development Corporation Sdn. Bhd., which entitles the said subsidiary to have another five years tax exemption status with effect from 30th December 2006 which had expired on 30th December 2011.

Group and Company

A reconciliation of income tax expense applicable to profit/(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 are as follows:-

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before taxation	8,830,806	387,329	(1,005,851)	(930,508)
Tax at the applicable tax rate of 25%	(2,207,702)	(96,832)	251,463	232,627
Tax effect arising from				
- tax rates in other countries	260,820	160	-	-
- non-deductible expenses	(1,194,413)	(354,964)	(252,156)	(233,518)
- non-taxable income	17,509	1,926	-	-
- originationl of deferred tax assets not recognised in the financial statements	(170,512)	(61,060)	-	-
- temporary differences due to pioneer status	2,808,740	396,643	-	-
- over accrual in prior years	(12,663)	(136,712)	891	-
Tax expense for the financial year	(498,221)	(250,839)	198	(891)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
(Taxable)/Deductible temporary differences	(154,860)	523,712	-	-
Unutilised tax losses	967,200	970,676	-	-
	812,340	1,494,388	-	-
Potential deferred tax assets not recognised at 25%	203,085	373,597	-	-

29. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2011	2010
	RM	RM
Profit attributable to owners of the Company	8,320,359	278,227
Weighted average number of ordinary shares in issue	152,665,937	144,730,539
Basic earnings per share (sen)	5.45	0.19

(b) Diluted

Diluted earnings per share amounts are calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2011	2010
	RM	RM
Profit attributable to owners of the Company	8,320,359	-
Weighted average number of ordinary shares in issue*	152,665,937	-
Effect of dilution for:		
Employee Share Option Scheme	1,790,137	-
Adjusted weighted average number of ordinary shares in issue and issuable	154,456,074	-
Diluted earnings per share (sen)	5.39	-

* *the weighted average number of shares takes into account the weighted average share effects of changes in ESOS exercised and share issued through private placement during the financial year.*

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30. CONTINGENT LIABILITIES

As at 31st December 2011, the Company is contingently liable for the following:-

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Corporate guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries	-	-	10,200,000	5,210,000
Bank guarantee issued by the subsidiary in favour of third parties	114,954	-	-	-

The Company's bank guarantees are secured over the office suite and deposits placed with licensed banks of the subsidiary and are also jointly and severally guaranteed by certain directors of the Company.

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantees is RM Nil.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Group and the Company that gives it significant influence over the Group's and the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

Related parties of the Group include:-

(i) Directors;
(ii) Key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing, controlling the activities of the Group directly or indirectly.

(b) Significant Related Party Transactions

In the normal course of business, the Group undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Directors				
Rental of office	101,640	101,640	-	-

31. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

(c) Key Management Personnel Compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The remuneration of the key management personnel during the financial year is as follows:-

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Directors				
Salaries and allowances	900,275	923,999	444,000	420,000
Fee	93,720	85,150	91,489	72,000
Employees' Provident Fund and SOCSO	95,976	85,754	41,044	41,040
Meeting fee	25,500	26,250	25,500	26,250
	1,115,471	1,121,153	602,033	559,290
Other key management personnel				
Salaries and allowances	719,010	436,773	-	-
	1,834,481	1,557,926	602,033	559,290

32. SEGMENTAL INFORMATION

FRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

(a) General Information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the geographical areas of the Group. The Group's operating segments are as follows:-

- Malaysia
- Asia
- Kingdom of Bahrain

The Group's geographical segments are based on the location of the Group's assets. External sales refer to sales to external customers as disclosed in respective geographical segments.

All three geographical segments operate in three main geographical areas principally involved in business management consultancy services and other software related services.

(b) Measurement of Reportable Segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Transactions between reportable segments are measured on an arm's length basis in a manner similar to transactions with third parties.

32. SEGMENTAL INFORMATION *cont'd*

(b) Measurement of Reportable Segments *cont'd*

Segment profit or loss is measured based on segment profit before tax that are reviewed by the Group's chief operating decision maker. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

The total of segment asset is measured based on all assets of a segment other than current and deferred tax assets.

The total of segment liability is measured based on all liabilities of a segment other than current and deferred tax liabilities.

(c) Information About Major Customers

Major customers' information represents revenues from transactions with a single external customer amount to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

Major customers include revenue from a major customer amounting to RM31,250,743/- (2010: RM3,992,869/-), arising from income training segment from Malaysia segment.

2011	Malaysia RM	Asia RM	Kingdom of Bahrain RM	Elimination RM	Total Operations RM
Revenue					
External sales	42,690,370	26,498	1,725,682	-	44,442,550
Inter-segment sales	7,150,300	607,507	-	(7,757,807)	-
	49,840,670	634,005	1,725,682	(7,757,807)	44,442,550
Results					
Segment results	15,406,910	489,549	1,315,872	(99,393)	17,112,938
Unallocated expenses					(7,769,886)
Finance costs					(575,465)
Bargain purchase arising from acquisition of subsidiary					63,219
Profit before taxation					8,830,806
Taxation					(498,221)
Profit after taxation					8,332,585
Assets					
Segment assets	43,614,376	162,254	1,675,579	-	45,452,209
Total assets					45,452,209
Liabilities					
Segment liabilities	6,960,184	73,873	201,969		7,236,026
Total liabilities					7,236,026
Other segment information					
Depreciation	1,793,933	2,111	6,961	-	1,803,005
Amortisation	3,091,769	-	-		3,091,769
					4,894,774

32. SEGMENTAL INFORMATION *cont'd*

2010	Malaysia RM	Asia RM	Kingdom of Bahrain RM	Elimination RM	Total Operations RM
Revenue					
External sales	11,173,570	12,777	606,124	-	11,792,471
Inter-segment sales	1,998,364	-	-	(1,998,364)	-
	13,171,934	12,777	606,124	(1,998,364)	11,792,471
Results					
Segment results	7,232,323	4,062	554,737	15,222	7,806,344
Unallocated expenses					(7,219,921)
Finance costs					(187,050)
Bargain purchase arising from acquisition of subsidiary					(12,044)
Profit before taxation					387,329
Taxation					(250,839)
Profit after taxation					136,490
Assets					
Segment assets	35,745,260	25,753	589,969		36,360,982
Total assets					36,360,982
Liabilities					
Segment liabilities	8,847,299	6,589	185,652		9,039,540
Total liabilities					9,039,540
Other segment information					
Depreciation	952,638	-	6,950		959,588
Amortisation	979,923	-	-		979,923
					1,939,511

33. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Total
2011	**RM**	**RM**	**RM**	**RM**
Financial assets				
Trade and other receivables	12,237,263	-	-	12,237,263
Deposits placed with licensed banks	338,191	-	-	338,191
Cash and bank balances	3,116,748	-	-	3,116,748
	15,692,202	-	-	15,692,202
Financial liabilities				
Trade and other payables	-	-	2,231,866	2,231,866
Hire purchase payables	-	-	4,595,598	4,595,598
Leasing liabilities	-	-	199,540	199,540
	-	-	7,027,004	7,027,004
2010				
Financial assets				
Trade and other receivables	7,004,239	-	-	7,004,239
Deposits placed with licensed banks	667,802	-	-	667,802
Cash and bank balances	69,769	-	-	69,769
	7,741,810	-	-	7,741,810
Financial liabilities				
Trade and other payables	-	-	4,301,006	4,301,006
Hire purchase payables	-	-	140,610	140,610
Bank overdrafts - secured	-	-	4,219,357	4,219,357
	-	-	8,660,973	8,660,973

33. FINANCIAL INSTRUMENTS *cont'd*

(a) Classification of Financial Instruments *cont'd*

Company **2011**	**Loans and receivables** **RM**	**Available for sale** **RM**	**Financial liabilities at amortised cost** **RM**	**Total** **RM**
Financial assets				
Trade and other receivables	13,518	-	-	13,518
Amount due from subsidiaries	7,252,550	-	-	7,252,550
Cash and bank balances	15,023	-	-	15,023
	7,281,091	-	-	7,281,091
Financial liabilities				
Trade and other payables	-	-	75,196	75,196
Amount due to subsidiaries	-	-	4,279,440	4,279,440
	-	-	4,354,636	4,354,636
2010				
Financial assets				
Trade and other receivables	1,480	-	-	1,480
Amount due from subsidiaries	5,559,433	-	-	5,559,433
Cash and bank balances	130	-	-	130
	5,561,043	-	-	5,561,043
Financial liabilities				
Trade and other payables	-	-	2,628,820	2,628,820
Amount due to subsidiaries	-	-	920,279	920,279
	-	-	3,549,099	3,549,099

(b) Fair value of financial instruments

The carrying amounts of these financial assets and liabilities are reasonable approximation of their 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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan, advances and financial guarantees to subsidiaries.

The management has a credit policy in place to monitor and minimise the exposure of default. The management has in place a credit procedure to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

a. *Exposure to credit risk*

At the reporting date, the Group's and Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 11 to the financial statements.

b. *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are disclosed in Note 11.

c. *Financial assets that are neither past due nor impaired*

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements. Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

d. *Financial assets that are either past due or impaired*

Information regarding financial assets that are past due or impaired is disclosed in Note 11 to the financial statements.

e. *Intercompany balances*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(i) Credit Risk *cont'd*

f. Financial guarantee

The Company provides unsecured financial guarantees to financial institution in respect of bank facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

		Undiscounted cash flow			
	Carrying Amount	On demand or within 1 year	1 to 5 years	More than 5 years	Total
	RM	RM	RM	RM	RM
2011					
Financial liabilities					
Group					
Trade and other payables	2,231,866	2,231,866	-	-	2,231,866
Hire purchase payables	4,595,598	1,580,040	3,387,592	208,318	5,175,950
Leasing liabilities	199,540	144,772	72,485	-	217,257
	7,027,004	3,956,678	3,460,077	208,318	7,625,073
Company					
Trade and other payables	75,196	75,196	-	-	75,196
Amount due to subsidiaries	4,279,440	4,279,440	-	-	4,279,440

NOTES TO THE FINANCIAL STATEMENTS
cont'd

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(ii) Liquidity Risk *cont'd*

Maturity analysis *cont'd*

	Carrying Amount	On demand or within 1 year (Undiscounted cash flow)	1 to 5 years (Undiscounted cash flow)	More than 5 years (Undiscounted cash flow)	Total (Undiscounted cash flow)
	RM	RM	RM	RM	RM
2010					
Financial liabilities					
Group					
Trade and other payables	4,301,006	4,301,006	-	-	4,301,006
Hire purchase payables	140,610	79,774	71,618	-	151,392
Bank overdrafts - secured	4,219,357	4,219,357	-	-	4,219,357
	8,660,973	8,600,137	71,618	-	8,671,755
Company					
Trade and other payables	2,628,820	2,628,820	-	-	2,628,820
Amount due to subsidiaries	920,279	920,279	-	-	920,279

(iii) Market Risk

Market risk is the risk that changes in market prices, such as interest rate risks, foreign exchange rates and market price risks that will affect the Group's financial position or cash flows.

(a) Interest Rate Risk

Interest rate 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 interest rates.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The Management does not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest rate fluctuation.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(iii) Market Risk *cont'd*

(a) Interest Rate Risk *cont'd*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period was:-

	Group	
	2011	**2010**
	RM	**RM**
Fixed rate instruments		
Financial liabilities		
Hire purchase payables	4,595,598	140,610
Leasing liabilities	199,540	-
Floating rate instrument		
Financial assets		
Deposits placed with licensed bank	338,191	667,802
Financial liabilities		
Bank overdrafts - secured	-	4,219,357

Sensitivity analysis for interest rate risk

- Sensitivity analysis for fixed rate instruments

  The Group does not account sensitivity analysis for any fixed rate financial assets and liabilities as a change in interest rates at the end of the reporting period would not affect the profit or loss.

- Sensitivity analysis for floating rate instruments

  A change of 1% in interest rates at the end of reporting period would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Profit before tax			
	Increase 1%		Decrease 1%	
	2011	**2010**	**2011**	**2010**
Group	**RM**	**RM**	**RM**	**RM**
Floating rate instruments				
Financial assets	3,382	6,678	(3,382)	(6,678)
Financial liabilities	-	(42,194)	-	42,194

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(iii) Market Risk *cont'd*

(b) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States dollar, Brunei dollar, Bahrain dollar, Euro, Qatar Riyal, Singapore dollar, Saudi Riyals, Pound Sterling and Arab Emirates dollar.

The Group's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:-

	Trade Receivables		Trade Payables	
	2011	2010	2011	2010
	RM	RM	RM	RM
Denominated in:-				
United States Dollar	4,269,754	797,135	-	5,304
Australian Dollar	-	-	-	16,977
Brunei Dollar	30,777	118,074	-	-
Bahrain Dollar	247,177	335,545	-	-
Euro	-	158,385	-	-
Pound Sterling	-	-	15,149	-
Qatar Riyal	53,988	227,840	-	-
Singapore Dollar	12,214	-	-	-
Saudi Riyals	43,148	-	-	15,548
Arab Emirates Dollar	1,281,948	74,786	-	-
	5,939,006	1,711,765	15,149	37,829

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(iii) Market Risk *cont'd*

(b) Foreign Currency Risk *cont'd*

Sensitivity analysis for foreign currency risk

A 10% strengthening of the RM against following currencies at the end of the reporting period would increase/(decrease) profit before tax as per below. This analysis assumes that all other variables remain unchanged.

	Profit before tax Increase/(Decrease)			
	Trade Receivables		Trade Payables	
	2011 RM	2010 RM	2011 RM	2010 RM
Denominated in:-				
United States Dollar	426,975	79,714	-	(530)
Australian Dollar	-	-	-	(1,698)
Brunei Dollar	3,078	11,807	-	-
Bahrain Dollar	24,718	33,555	-	-
Euro	-	15,839	-	-
Pound Sterling	-	-	(1,515)	-
Qatar Riyal	5,399	22,784	-	-
Singapore Dollar	1,221	-	-	-
Saudi Riyals	4,315	-	-	(1,555)
Arab Emirates Dollar	128,195	7,479	-	-
	593,901	171,178	(1,515)	(3,783)

A 10% weakening of the RM against above currencies at the end of the reporting period would have had an equal but opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

(c) 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 does not have any exposure to market price risk as at the end of reporting date.

35. SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent to the financial year, the Company had:-

a) On 28th February 2012 announced a proposed bonus issue of up to 92,906,999 warrants in the Company on the basis of one (1) warrant for every 2 existing ordinary shares of RM0.10 each in the Company held on an entitlement date to be determined later.

b) On 28th February 2012 announced a proposed increased in the authorised share capital of the Company from RM25,000,000 comprising 250,000,000 unit of ordinary shares of the Company to RM500,000,000 comprising 500,000,000 unit of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains 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 directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31st December 2011 were as follows:

	Group	
	2011	**2010**
	RM	**RM**
Total borrowings	4,795,138	4,359,967
Less : Cash and cash equivalents	(3,454,939)	(737,571)
Capital and net debts	1,340,199	3,622,396
Shareholders' funds	38,198,015	27,316,929
Gearing ratio	0.04	0.13

There were no changes in the Group's approach to the capital management during the financial year.

As disclosed in Note 20 to the financial statements, a direct subsidiary of the Company, SMR Gulf WLL, is required by Bahrain Commercial Companies Law to transfer at least 10% of the profit for each year to the legal reserve until such time the reserve total is 50% of the issued capital of the company. The reserve is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Law

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.

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 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 end of the reporting period, into realised and unrealised profits and losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

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 31st December 2011 are as follows:-

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Realised	14,376,761	6,777,438	(4,558,913)	(3,553,260)
Unrealised	(408,676)	(1,094,086)	-	-
	13,968,085	5,683,352	(4,558,913)	(3,553,260)

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and 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 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, **DATO' DR PALANIAPPAN A/L RAMANATHAN CHETTIAR** and **NADARAJAH A/L MANICKAM**, being two of the directors of SMR Technologies Berhad, do hereby state that in the opinion of the directors, the financial statements set out on page 40 to 104 are properly drawn up in accordance with the Financial Reporting Standards and 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 31st December 2011 and of the results and cash flows of the Group and of the Company for the financial year ended.

The supplementary information set out on page 105 to the financial statements have been prepared 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,

DATO' DR PALANIAPPAN A/L RAMANATHAN CHETTIAR

NADARAJAH A/L MANICKAM

Kuala Lumpur

Date: 27th April 2012

STATUTORY DECLARATION

I, **DATO' DR PALANIAPPAN A/L RAMANATHAN CHETTIAR**, being the director primarily responsible for the financial management of SMR Technologies Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on page 40 to 104 and the supplementary information set out on page 105 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.

DATO' DR PALANIAPPAN A/L RAMANATHAN CHETTIAR

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 27th April 2012.

Before me,

ARSHAD ABDULLAH (No.W550)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMR TECHNOLOGIES BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SMR Technologies Berhad, which comprise the statements of financial position as at 31st December 2011 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 40 to 104.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determined 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 have been properly drawn up in accordance with the Financial Reporting Standards and 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 of 31st December 2011 and of its financial performance and cash flows for the financial year then ended.

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 its subsidiaries 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 all the remaining subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries 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) Other than the auditors' reports of the subsidiary with emphasis of matter paragraph in relation to the going concern in the auditor's report as disclosed in Note 5 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries were not subject to any qualification material to the consolidated financial statements and did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SMR TECHNOLOGIES BERHAD

cont'd

OTHER REPORTING RESPONSIBILITY

The supplementary information set out on page 105 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

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 content of this report.

BAKER TILLY MONTEIRO HENG
No. AF 0117
Chartered Accountants

HENG JI KENG
No. 578/05/12(J/PH)
Partner

Kuala Lumpur

Date: 27th April 2012

GROUP'S PROPERTY

Location	Description	Tenure	Existing use	Built-up area	Age of Building (years)	Net Book Value as at 31.12.2011 RM'000	Year of Acquisition
Suite 2A-23-2 Block 2A Level 23 Plaza Sentral Jalan Stesen Sentral 5 50470 Kuala Lumpur	Office suite	Freehold	Office	3,893 square feet	6	3,647	2006

(Date of last revaluation : 22 September 2008)

The property has been pledged as security by way of a Facility Agreement and Deed of Assignment to secure banking facilities as disclosed in Note 24 on Page 87 to the financial Statements.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2012

SHAREHOLDINGS STRUCTURE

Authorised Share Capital	: RM25,000,000.00
Issued and fully paid up capital	: RM16,460,766
Class of shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of shares	%
1 – 99	204	16.20	8,487	0.01
100 – 999	60	4.77	14,646	0.01
1,000 – 4,999	169	13.42	392,178	0.24
5,000 – 10,000	199	15.81	1,467,511	0.89
10,001 – 100,000	499	39.64	18,544,002	11.26
100,001 – 1,000,000	115	9.13	34,403,253	20.90
Over 1,000,000	13	1.03	109,777,589	66.69
TOTAL	**1,259**	**100.00**	**164,607,666**	**100.00**

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Dr. Palaniappan A/L Ramanathan Chettiar	4,040,464	2.45	56,009,318	34.03 [(1)]
Dr. Nadarajah A/L Manickam	40,000	0.02	-	-
Tuan Haji Ishak Bin Hashim	13,333	0.01	-	-
Leow Nan Chye	1,750,600	1.06	-	-
Malayandi A/L Kalaiarasu	33,333	0.02	-	-

Notes:

[(1)] *Deemed interested by virtue of his shareholdings in Special Flagship Holdings Sdn. Bhd. and his spouse, Datin Kamatchi's shareholdings in the company.*

SHAREHOLDERS' HOLDINGS WITH 5% AND ABOVE

	Direct	
Name	**Shareholdings**	**%**
Special Flagship Holdings Sdn. Bhd.	55,999,972	34.02
Fikir Wawasan Sdn. Bhd.	22,355,174	13.58
Detik Perkasa Sdn. Bhd.	13,666,000	8.30

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2012
cont'd

LIST OF TOP 30 SHAREHOLDERS

No.	Name & Address	No. Shareholdings	%
1	Special Flagship Holdings Sdn. Bhd.	55,999,972	34.02
2	Fikir Wawsan Sdn. Bhd.	22,355,174	13.58
3	Detik Perkasa Sdn. Bhd.	13,666,000	8.30
4	Palaniappan A/L Ramanathan Chettiar	4,040,411	2.45
5	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Beneficiary : Pledged Securities Account for Mohamad Azril Bin Abdul Razak (CEB)*	2,448,766	1.49
6	Murugappan Kalaimani	1,771,000	1.08
7	Leow Nan Chye	1,750,600	1.06
8	Chung Sook Leng	1,500,000	0.91
9	Ong Wan Chin	1,399,000	0.85
10	Chhoa Kwang Hua	1,366,666	0.83
11	Tan Tung Heng	1,300,000	0.79
12	Lee Ah Yew	1,150,000	0.70
13	Tan Soo Sum	1,030,000	0.63
14	Ow Pung Hock	909,600	0.55
15	L Sundra Surian A/L N Lechumanan	886,400	0.54
16	Chong Mei	850,066	0.52
17	CIMSEC Nominees (Tempatan) Sdn. Bhd. *Beneficiary : CIMB Bank for Wong Ah Yong (MY1278)*	830,000	0.50
18	Lee Yew Man	740,000	0.45
19	Yeo Soo Jeng	725,000	0.44
20	Tee Kheng Ean @ Tee Cheng Yan	700,000	0.43
21	Pauline Asha Joseph	698,900	0.42
22	CIMSEC Nominess (Tempatan) Sdn. Bhd. *Beneficiary : CIMB Bank for Teo Chee Peng (MY1116)*	684,200	0.42
23	Wong Ah Yong	681,000	0.41
24	HDM Nominees (Tempatan) Sdn. Bhd. *Beneficiary : Pledged Securities Account for Ong Beng Khoon (M02)*	650,000	0.39
25	Ang Teck Chee	604,600	0.37
26	Lim Eng Hock	581,000	0.35
27	AmBank (M) Berhad *Beneficiary : Pledged Securities Account for Wong Ah Yong (SMART)*	560,000	0.34
28	Sharmala Devi A/P V Thurairatnam	516,600	0.31
29	ECML Nominees (Tempatan) Sdn. Bhd. *Beneficiary : Pledged Securities Account for Lim Eng Hock (009)*	510,000	0.31
30	Nazimah Binti Syed Majid	508,000	0.31
	TOTAL	**121,412,955**	**73.76**

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SMR Technologies Berhad (659523-T)

Powering People Development Through Technology

FORM OF PROXY

I/We____NRIC/Company No. ____________________
(Block Letters)

of ____*(Address & Telephone Number)*

being a *member/members of the abovenamed Company, hereby appoint ____________________________

of ____*(Address & Telephone Number)*

or failing *him/her ____

of ____*(Address & Telephone Number)*

or failing * him/her, the CHAIRMAN of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Eighth Annual General Meeting of the Company to be held at The Gardens, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Thursday, 7 June 2012 at 10.00 a.m. and at any adjournment thereof in the manner indicated below:

No.	Resolutions		For	Against
ORDINARY BUSINESS				
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon	Resolution 1		
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2011	Resolution 2		
3.	To re-elect Mr Leow Nan Chye who retires in accordance with Article 94 of the Company's Articles of Association and being eligible, offers himself for re-election	Resolution 3		
4.	To re-elect Mr Malayandi @ Kalaiarasu who retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election	Resolution 4		
5.	To re-appoint Tuan Haji Ishak Bin Hashim who retires pursuant to Section 129(2) of the Companies Act, 1965 and being eligible, offers himself for re-appointment	Resolution 5		
6.	To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration	Resolution 6		
SPECIAL BUSINESS				
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965	Resolution 7		
8.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	Resolution 8		
9.	Proposed Renewal of Authority for Share Buy-Back	Resolution 9		

*Please indicate with an "X" in the appropriate box against the resolution on how you wish your proxy to vote. If no specific instruction as to voting is given, the proxy will vote at *his/her discretion.*

Number of Shares	
CDS No.	
Date	

____
Signature

Notes :

1. *A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless *he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or *his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.*
4. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Suite 2A-23-1, Block 2A, Level 23, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
5. *Only depositors whose names appear in the Record of Depositors as at 31 May 2012 be regarded as members and entitled to attend and vote at the meeting.*

** Delete where inapplicable.*

Fold This Flap For Sealing

Then Fold Here

STAMP

The Company Secretary

SMR Technologies Berhad (659523-T)
Suite 2A-23-1
Block 2A, Level 23
Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur

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