SMR Technologies Berhad (659523-T)

Powering Business Results Through Technology-Driven Integrated Solutions

HR Professional Services | HR Software | Education

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

info@smrhrgroup.com
www.smrhub.com

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Annual Report 2012

BOARD OF DIRECTORS

Dato' Dr R Palan
Chairman & Chief Executive Officer

Tuan Haji Ishak Bin Hashim
Independent, Non-Executive Director

Mr Leow Nan Chye
Independent, Non-Executive Director

Mr Malayandi@Kalaiarasu
Independent, Non-Executive Director

KEY MANAGEMENT TEAM

1. **A. Subramanian** - *Deputy Chief Executive Officer*
2. **Julian King** - *Chief Operating Officer*
3. **Karen Ong** - *Director & Master Trainer*
4. **Muhammad Rizal** - *Principal Consultant*
5. **Jayasree** - *Senior Consultant*
6. **Gurit** - *Head, Training*

7. **R. Muralidharan** - *Chief Technology Officer*
8. **Bharath** - *Project Manager, R&D*
9. **Ahmad Zaid** - *Technical Consultant*

10. **Hj Ali Bin Abdul Ghani** - *Director, Education*
11. **Michael J Hughes** - *Project Manager, English Language Training (ELT)*
12. **Azaath Samsudeen** - *Senior Manager (Business, Government & Community)*
13. **Zalina Mat Zain** - *Senior Manager, Operations (Special Projects)*

14. **Danny Chu** - *Director, Corporate Office*
15. **Azlinda Binti Ahmad Zainal** - *Senior Manager, Corporate Services*
16. **Annie Chew** - *Manager, Corporate Services*
17. **Foo Phui Foong** - *Group Finance Manager*

RECENT KEY CUSTOMERS

MALAYSIA

Public Sector
- Ministry of Education
- Ministry of Human Resources
- Ministry of Science, Technology and Innovation

Energy, Oil & Gas
- Sarawak Energy Berhad
- Petronas Leadership Centre
- Exxon Mobil Malaysia Sdn Bhd
- Petrofac (M) Ltd
- Carigali Hess

Information Technology
- Dell Global Business Center Sdn Bhd

Retail
- GCH Retail (M) Sdn Bhd (GIANT)

BRUNEI

Public Sector
- Authority for Info Communication Technology Industry of Brunei Darussalam (AITI)
- Institut Perkhidmatan Awam (IPA)

Telecommunication
- DST Communication Sdn Bhd

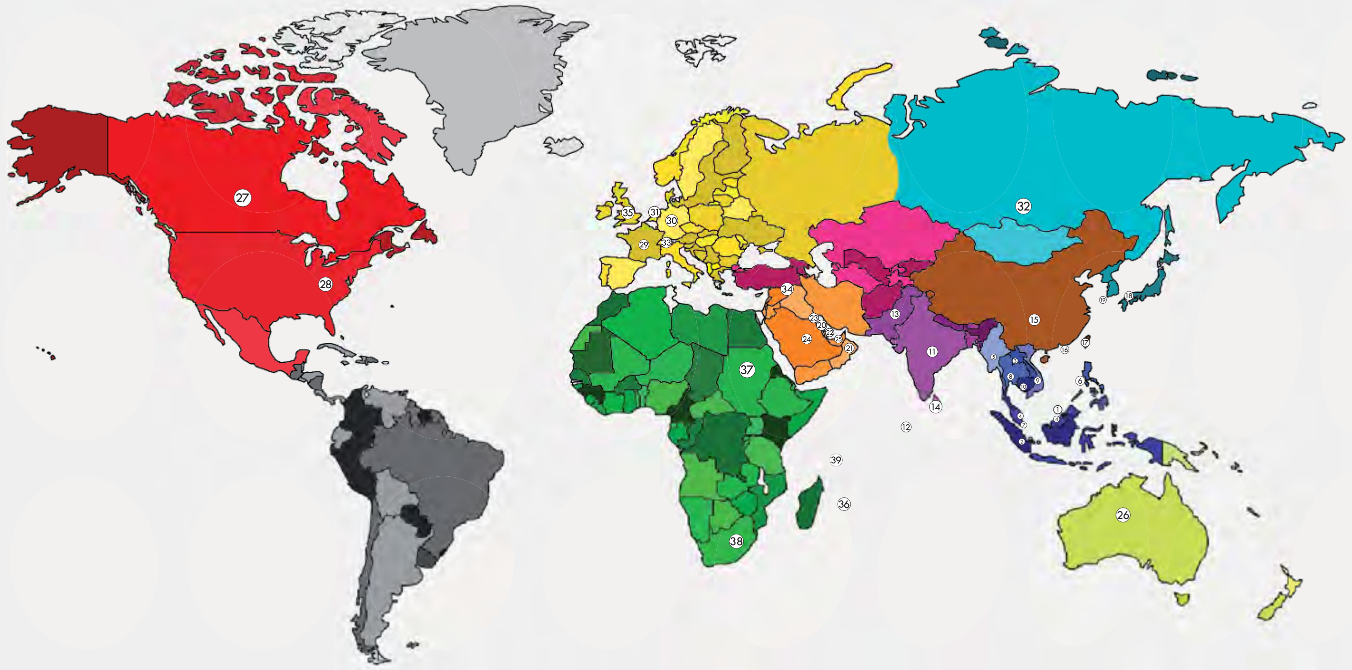
GULF COOPERATION COUNCIL (GCC) COUNTRIES

Public Sector
- Ministry of Works, Bahrain
- Tamkeen (Bahrain Labour Fund), Bahrain
- Supreme Council of Health, Qatar
- Ministry of Interior (Abu Dhabi Police GHQ), Abu Dhabi, UAE

Energy, Oil & Gas
- Rabigh Refining & Petrochemicals Co. (PetroRabigh), Saudi Arabia
- Abu Dhabi Polymers Company Limited (Borouge), Abu Dhabi, UAE
- National Drilling Company, Abu Dhabi, UAE
- Oman Refineries & Petrochemicals Company (Orpic), Oman

Retail
- Bhaskar Devji, Bahrain

COUNTRIES We have worked on projects for customers in the following countries



SOUTHEAST 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

MIDDLE EAST
20. Bahrain
21. Oman
22. Qatar
23. Kuwait
24. Saudi Arabia
25. UAE

AUSTRASIA
26. Australia

NORTH AMERICA
27. Canada
28. United States of America

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

AFRICA
36. Mauritius
37. Sudan
38. South Africa
39. Seychelles

CONTENTS

FINANCIAL STATEMENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Palaniappan A/L Ramanathan Chettiar
("Dato' Dr R Palan")
Chairman & Chief Executive Officer
Appointed on 13th August 2004

Dr Nadarajah A/L Manickam ("Dr Nat")
Executive Director
Appointed on 17th December 2004
Resigned on 31st July 2012

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director
Appointed on 5th October 2005

Mr Leow Nan Chye
Independent Non-Executive Director
Appointed on 5th October 2005

Mr Malayandi @ Kalaiarasu
Independent Non-Executive Director
Appointed on 17th June 2011

AUDIT COMMITTEE

Mr Leow Nan Chye
Chairman & Independent Non-Executive Director
Appointed on 5th October 2005

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director
Appointed on 5th October 2005

Mr Malayandi @ Kalaiarasu
Independent Non-Executive Director
Appointed on 17th June 2011

NOMINATION COMMITTEE

Tuan Haji Ishak Bin Hashim
Chairman & Independent Non-Executive Director
Appointed on 5th October 2005

Mr Leow Nan Chye
Independent Non-Executive Director
Appointed on 5th October 2005

REMUNERATION COMMITTEE

Tuan Haji Ishak Bin Hashim
Chairman & Independent Non-Executive Director
Appointed on 5th October 2005

Mr Leow Nan Chye
Independent Non-Executive Director
Appointed on 5th October 2005

Dr Nadarajah A/L Manickam
Executive Director
Appointed on 17th December 2004
Resigned on 31st July 2012

EXTERNAL AUDITORS

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

Telephone	:	+603 2297 1000
Facsimile	:	+603 2282 9980
Website	:	www.bakertillymh.com.my
Email	:	lock@bakertillymh.com.my
Partner-in-charge	:	Mr Lock Peng Kuan

COMPANY SECRETARIES

Ms Wong Youn Kim (MAICSA 7018778)
Ms Yip Siew Cheng (MAICSA 7006780)
HMC Corporate Services Sdn. Bhd.
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

REGISTERED & CORPORATE OFFICE

Suite 2A-23-1, Block 2A, Level 23
Plaza Sentral, Jalan Stesen Sentral 5
50470 Kuala Lumpur

Telephone	:	+603 2279 9199
Facsimile	:	+603 2279 9099
Website	:	www.hub.com
Email	:	info@smrhrgroup.com
Contact person	:	Ms Foo Phui Foong

REGISTRAR

Insurban Corporate Services Sdn Bhd
149 Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Telephone : +603 7729 5529
Facsimile : +603 7728 5948

PRINCIPAL BANKERS

Malayan Banking Berhad
AmBank (M) Berhad

SOLICITOR

Kadir Andri & Partners
8th Floor, Menara Safuan
80, Jalan Ampang
50450 Kuala Lumpur
Telephone : +603 2078 2888
Fasimile : +603 2078 8346
Website : www.kaaplaw.com
Email : jhashim@kaaplaw.com
Contact person : Mr Julian Mahmud Hashim

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
ACE Market

Stock name • SMRTECH
Stock code • 0117

INVESTOR'S RELATION

Website : www.hub.com
Email : investors@smrhrgroup.com
Contact person : Ms Foo Phui Foong

SMR
Technologies Berhad

SMR HR Technologies Sdn. Bhd.
(Co. No. 537793-T)
● 100%

SMR HR Technologies Pvt. Ltd
(Co. No. 2900TN2011PTC079413)
● 98%

SMR HR Solutions Sdn. Bhd.
(FKA SMR Events Sdn. Bhd.)
(Co. No. 751839-P)
● 100%

Management Made Easy Sdn. Bhd.
(Co. No. 936392-P)
● 100%

SMR Education Sdn. Bhd.
(FKA SMR Film Sdn. Bhd.)
(Co. No. 790178-K)
● 100%

Agensi Pekerjaan SMR Talent Search Sdn. Bhd.
(Co. No. 880494-K)
● 100%

SMR HR Group Sdn. Bhd.
(Co. No. 177552-M)
● 100%

SMR Gulf W.L.L.
(Co. No. 70535)
● 99%

BUSINESS OBJECTIVES

The objectives of the SMR Group ("The Group") is to provide solutions for human capital development in the digital age through three (3) key initiatives:-

(i) to develop human capital development , related software applications, and competency and performance;

(ii) to provide related integrated services such as software implementation, learning resources, consulting solutions and executive search services; and

(iii) to build and deliver solutions in the area of education: English language development, Vocational skills development and Tertiary education.

OVERVIEW of SMR Solutions

HR PROFESSIONAL SERVICES

- Learning & Development
- Learning Resources
- HR Events
- HR Consulting
- HR Outsourcing
- Talent Search

HR SOFTWARE

- HRDPower.net Enterprise
- HRDPower SAAS (Software as a Service)
- Customised Software

EDUCATION

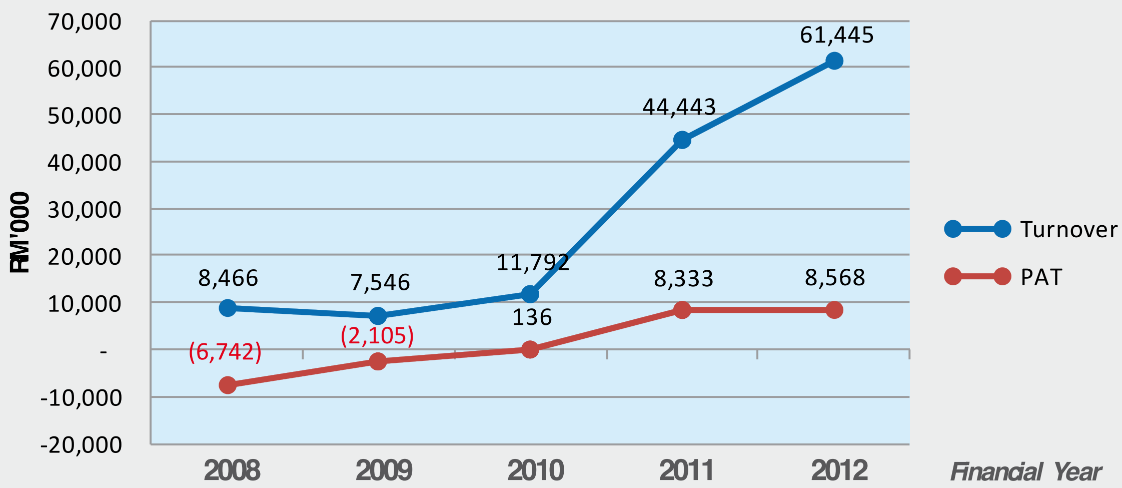
National Capacity Building

- English Language Training
- Vocational Skills Development
- Tertiary Education

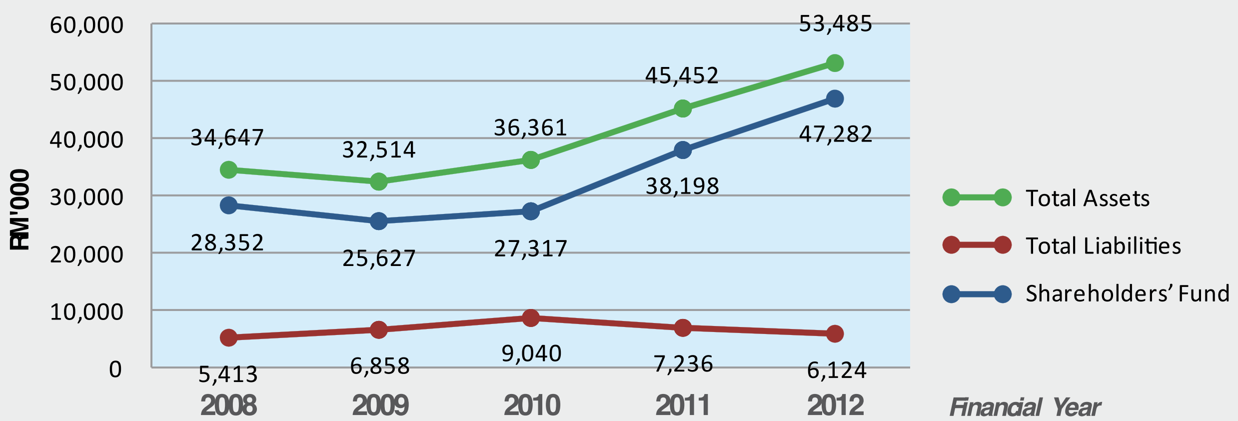
FINANCIAL HIGHLIGHTS (Continuing Operations)

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
COMPREHENSIVE INCOME					
Revenue	61,445	44,443	11,792	7,546	8,466
Profit / (Loss) before tax	10,018	8,831	387	(1,912)	(6,753)
Profit / (Loss) after tax	8,568	8,333	136	(2,105)	(6,742)
KEY FINANCIAL POSITIONS					
Total Assets	53,485	45,452	36,361	32,514	34,647
Total Liabilities	6,124	7,236	9,040	6,858	5,413
Cash & Cash equivalents	7,102	3,455	738	1,158	593
Total borowings	3,364	4,795	4,360	2,628	2,034
Issued and paid up Capital	17,536	16,143	14,667	13,333	13,333
Shareholders' Fund	47,282	38,198	27,317	25,627	28,352
SHARE INFORMATION					
Net Earnings / (Loss) per share (Basic) (sen)	5.18	5.45	0.19	(1.58)	(6.41)
Net Earnings per share (Diluted) (sen)	5.12	5.39	-	-	-
Net Assets per share (sen)	27.01	23.67	18.63	19.22	21.26
Market Capitalisation	45,595	28,251	11,733	9,333	14,667
Share price as at 31st Dec	0.260	0.175	0.080	0.070	0.110
FINANCIAL RATIOS					
Return on total asset (%)	18.73%	19.43%	1.06%	(5.88)%	(19.49)%
Gearing ratio (times)	N/A	0.04	0.13	0.06	0.05
Price to earnings ratio (times)	5.02	3.21	42.11	(4.43)	(1.72)

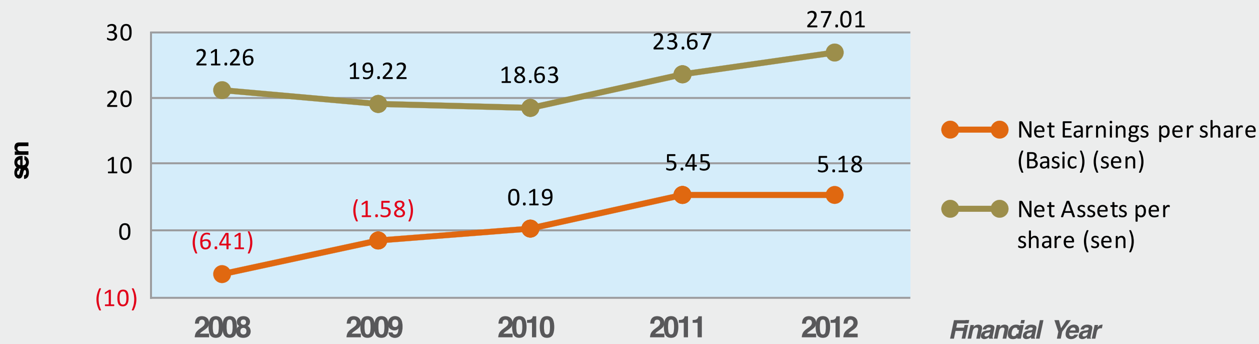
REVENUE & PROFIT AFTER TAX



TOTAL ASSETS, TOTAL LIABILITIES & SHAREHOLDER'S FUND



EARNINGS PER SHARE & ASSETS PER SHARE



2012 CSR Initiatives

COMMUNITY

- Notable cash contribution to BAKTI of RM100,000.
- Sponsored trip to Bangalore, India to attend Asia HRD Congress 2012 to reward ELT teachers and officials who contributed to the native speaker programme.

MARKETPLACE

- Participated in “41st IFTDO World Conferences” and “HR Practice & Trends: An International Comparison” to share ideas and best practices with HR Professionals to develop people to be effective in today’s challenging organisational environment.

WORKPLACE

- Gathering/fostering of business relationship between management, staff and vendors

ENVIRONMENT

- Funded over RM10,000
- Group wide participation in beach cleaning project

CORPORATE DEVELOPMENT

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

20th July 2012	SMR Technologies Berhad ("The Company") had declared and paid a tax exempt Interim Dividend of RM0.005 net per ordinary shares to shareholders.
10th August 2012	The Company had completed the listing of and quotation for the 85,963,833 Warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each pursuant to the Bonus Issue of Warrant on the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad.
29th November 2012	The Company had on 5th September 2012 entered into a Sale and Purchase Agreement with Murugappan Kalaimani and Malayandi @ Kalaiarasu for the acquisition of 100% of the entire issued share capital of Management Made Easy Sdn Bhd comprising 750,000 ordinary shares of RM1.00 each for a total cash consideration of RM680,000.00. The acquisition has been completed on 29th November 2012.
20th December 2012	On behalf of the Company, TA Securities Holding Berhad had announced that the Company proposed to undertake a private placement of up to 26,706,000 new ordinary shares of RM0.10 each representing not more than ten percent (10%) of the enlarged issued and paid-up share capital of the Company persuant to Section 132D of the Companies Act 1965 ("Proposed Private Placement")

DATO' DR R PALANIAPPAN
B.Sc., M.A., M.Sc., Ph.D., A.P.T., FBILD (UK), CSP (USA), J.B.K. (Kuching), D.P.M.P. (Perak)
Chairman & Chief Executive Officer

Dato' Dr R Palan, a Malaysian, aged 57. He is the Founder of SMR Group.

An alumnus of the Harvard Business School, he was appointed to the Board on 13th August 2004. He comes from a family that has always been in business.

A passionate entrepreneur well known for his general management, communication strategies and skills, he has served as the brand ambassador for the group. 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. This has given him the opportunity to speak at several international conferences around the world and the unique opportunity to promote the organisational brand. This included the recent 2013 ASTD MENA International Conference in Jeddah, Saudi Arabia.

Dato' Dr R Palan has worked internationally in many countries in Human Resources, Marketing Management, General Management and Workforce Education. He has authored over a dozen books in the field of Human Resources and Management. He has a strong business and technological orientation that is reflected with his strong on-line presence through blogs, websites, social media sites and his e news that has attracted thousands.

Dato' Dr R Palan is a lifelong learner, he studied at the Madras School of Social Work, University of Madras, India; University of Leicester, U.K. California Coast University, University of California, Los Angeles, Harvard Business School and National Training Laboratories, UK.

Dato' Dr R Palan has received several awards for his contributions. He 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 Almarhum Sultan Yussuf Izzuddin Shah Ghafarullahu-Lah.

He 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 five (5) Board meetings held during the financial year ended 31st December 2012. He has no directorship in any other public listed company. He has no family relationship with any other Director. He is a substantial shareholder and Director in Special Flagship Holdings Sdn Bhd, a substantial shareholder of the Company. Other than those disclosed in Note 11 on Page 28 (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 ten (10) years.

DR. NADARAJAH MANICKAM
Executive Director

Dr Nat, a Malaysian, aged 59. Dr Nat as he is fondly called was appointed to the Board on 17th 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.

He 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.

Dr Nat has no directorship in any 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 ten (10) years.

Dr Nat attended two (2) out of three Board meetings held during his tenure in the financial year ended 31st December 2012. Dr Nat resigned from the Board on 31st July 2012.

TUAN HAJI ISHAK BIN HASHIM
Independent Non-Executive Director

Tuan Haji Ishak, a Malaysian, aged 71, was appointed to the Board on 5th October 2005. Tuan Haji Ishak is the Chairman of the Nomination Committee and Remuneration Committee as well as a member of the Audit Committee of the Company.

Tuan 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 position in Human Resource and Administrative Department 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. Tuan Haji Ishak also served as a Councillor of 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, Tuan 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.

Tuan Haji Ishak attended all the five (5) Board Meetings held during the financial year ended 31st December 2012.

He has no directorship in any other public listed 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 ten (10) years.

MR LEOW NAN CHYE

Independent Non-Executive Director

Mr Leow, a Malaysian, aged 55, was appointed to the Board on 5th October 2005. He 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.

He held various management position during his employment with Malaysian General Investment Corporation Bhd., KAB Group, Tanming Group, Negara Properties Sdn Bhd and Formosa Prosonic Industries Sdn Bhd.

Mr Leow attended all the five (5) Board Meeting held during the financial year ended 31st December 2012.

He has no directorship in any other public listed 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 ten (10) years.

MR MALAYANDI @ KALAIARASU

Independent Non-Executive Director

Mr. Kalaiarasu, a Malaysian, aged 26, was appointed to the Board on 17th June 2011. He was appointed as a member of Audit Committee on 24th 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, United Kingdom.

Over the last four (4) 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. He currently works with Avanade, a subsidiary of Accenture, focusing on the oil and gas industry. Prior to this, he worked with an American Multinational Jabil and prior to that with Mahindra Satyam, a global IT company. Throughout his employment, he was involved in several development projects all over the world using Share Point Portal, SAP EP and .net. Mr. Kalaiarasu has also worked with the Ministry of Health in Singapore on developing the MOH Intranet, a web based portal.

Mr Kalaiarasu attended all the five (5) Board Meeting held during the financial year ended 31st December 2012.

He has no directorship in any other public listed company. He is nephew of the spouse of Dato' Dr Palaniappan, the Executive Chairman and Chief Executive Officer of the Company. He has no conflict of interest with Company and has never been charged for any offence (other than traffic offences, if any) within the past ten (10) years months.

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 for the financial year ended 31st December 2012.

PERFORMANCE REVIEW

2012 was a reasonable year for SMR Group.

It was a year when the Group maintained a strategic and diligent focus on the three operating businesses in line with the goal of powering business results through technology driven integrated solutions: HR Software, HR Professional Services and Education.

The results for financial year ended 2012 ("FY12") could have been much better given the outstanding results of FY11. Still the FY12 results were reasonably good given the general business outlook both locally and in the Gulf Cooperation Council ("GCC") Countries, which have been the Group's primary markets. This was due to several one off expenses incurred due to corporate exercises, investment in strengthening the management team to ensure a succession plan and the exposure to a higher tax rate as the pioneer status for one of the subsidiaries lapsed after the 10 year period.

The market for HR software and professional HR services continued to boom as indicated by business pundits. With the growth in the demand for HR software fuelled by cloud computing, professional HR services together with Government's education stimulus packages to develop a competent workforce, the future is bright. The Group acquired a cloud computing software firm during the year to take advantage of the could computing trends.

For FY12, the Group's recorded revenue of RM61.45 million representing an increase of approximately 38% from RM44.44 million recorded in the previous financial year.

The Group posted an improved net profit after tax for the year as RM8.57 million compared to preceeding year of RM8.33 million.

The Group continues to focus on high value projects to ensure a sustainable and profitable growth.

PROSPECTS & OUTLOOK

Even though the Group's businesses were largely in Malaysia, both from the corporate and government sector, the Group continues to focus on the overseas markets, primarily developing countries in the ASEAN region and the GCC. Most of these countries have high growth economies and continue to invest heavily to develop a competent workforce. With the need for these countries to be more productive as a result of rising costs of employment, the outlook is very positive for the Group's solutions.

The Group has continued its strategy to minimise the dependence on one country, one region or one sector with a diversified solution mix and market focus to ensure that we are not caught by unexpected events beyond our control.

The Group continues to look scaling up the business, the group with a consistent focus to move out of highly competitive and low margin projects. The Group has a strong proven delivery track record and stands firmly on stable fundamentals – a compelling trait for customer confidence.

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 2013.

INDUSTRY TRENDS & DEVELOPMENTS

An estimated USD785 billion was spent on employee benefit products and services alone in 1997 (Thomas Weisel Partners). And according to a newly released IDC study focused on services alone, worldwide HR "services" spending will experience 9.6% growth through 2009 to reach USD113.4 billion. According to the HR Marketer.com, the services could reach one trillion US dollars. There are many players but with a clear segmentation both in products and markets and execution capabilities, the market is indeed huge.

According to PWC, a look at the key workforce trends for 2012 from around the world using data from PwC's Saratoga benchmarking database indicate that CEO's in their quest for growth rely primarily on talent management strategies. And, the report indicates only 30% of the CEO's indicated they had the talent needed to grow in place. The report highlights the productivity gaps continue to widen and organisations are relying on HR best practices and analytics to resolve this challenge.

IDC predicts the cloud computing market will grow to USD149 billion and it is predicted that by end of 2014, cloud computing will dominate half of the transactions. The major benefit of SaaS or cloud delivery is the move from up front expenses or capital expenditures to operating expenditures. Reduced total cost of ownership will intensify organisations to look for solutions that drive productivity without huge capital expenditures.

RESEARCH AND DEVELOPMENT ("R&D")

The Group has acquired a R&D company name Management Made Easy Sdn Bhd ("MME") to develop cloud computing software. MME is a MSC status company effective 27th April 2011. MME focuses on Human Resource and Talent Management Solutions especially catered for this Small and Medium Enterprises. The solutions emphasizes on the market need for an affordable, efficient and user friendly platform.

The Group's software solutions are listed on page 5.

INTERNAL CONTROLS AND CORPORATE GOVERNANCE

In line with the Group's continued focus on the ASEAN and GCC market, the systems of risk management and internal control as well as corporate governance best practice play a crucial role in the preservation of the shareholders wealth and assets followed by sustained growth. As such, the Group would continue allocate more resources to enhance the systems of risk management and internal controls. Various implementations of internal control systems had taken during the recent past years, to ensure the risk factor in the day to day operations are well managed in guiding us to achieve our goals. The Board has also adopted various recommendations of the revised Malaysia Code of Corporate Governance 2012.

Recognising that a competent workforce is important to achieve the Government's Vision 2020, we have reached out to the community that can benefit from our core skills. Although the global economic downturn has somewhat affected us, we will continue to play an active role in being a responsible corporate citizen. We will continue to increase our fund allocation and also human capital efforts to improve the well-being of the community.

APPRECIATION

While the Board is pleased with the Group's progress, we continue to aim to grow consistently and in a sustainable manner. On behalf of the Board, I would like to thank:

- Dr Nat who served the company as Executive Director for 8 years till his planned retirement in Dec 2012.
- 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), CSP (USA), J.B.K. (Kuching), D.P.M.P. (Perak)
Chairman & CEO

MEMBERS

Name of Director	Position	Date Appointed/ (Resigned)	Duration in Service
Mr Leow Nan Chye	Chairman, Independent Non-Executive Director	5th October 2005	7 years 3 months
Tuan Haji Ishak Bin Hashim	Member, Independent Non-Executive Director	5th October 2005	7 years 3 months
Mr Malayandi @ Kalaiarasu	Member, Independent Non-Executive Director	17th June 2011	1 year 7 months

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 AMLR 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 AMLR.

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.

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 the 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; and

- 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 presence at least twice a year.

An agenda shall be sent to all members of the AC 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.

TERMS OF REFERENCE *cont'd*

Meetings *cont'd*

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 31st December 2012 and the records of attendance of the AC members are set out below:

Audit Committee Meetings Attended During Tenure in Office							
Name of Directors	**Position**	**23rd Feb**	**24th May**	**16th Aug**	**22nd Nov**	**Attendance (nos)**	**Attendance (%)**
Mr Leow Nan Chye	Chairman, Independent Non- Executive Director	✓	✓	✓	✓	4/4	100%
Tuan Haji Ishak Bin Hashim	Member, Independent Non- Executive Director	✓	✓	✓	✓	4/4	100%
Mr Malayandi @ Kalaiarasu	Member, Independent Non- Executive Director	✓	✓	✓	✓	4/4	100%

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 2012 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 31st December 2012;

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 Risk Management and Internal Control.

In addition, on 23rd February 2012 and on 22nd November 2012, the Audit Committee met with the External Auditors without the presence of the Management and the Executive Directors. On both occasion, no issue of concerned was raised by the External Auditors.

The Board of the Group 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").

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out eight (8) broad principles and made twenty six (26) specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

The Board of the Group has always been supportive of the adoption of the principles as set out in the Code. The Board is committed to ensure that the principles of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the recommendations of the Code throughout the financial year ended 31st December 2012.

A. THE BOARD OF DIRECTORS

(i) The Board

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.

The Board has delegated specific responsibilities to three (3) main committees namely the Audit, Remuneration and Nomination Committees, which is guided by the terms of reference approved by the Board. The ultimate responsibility for the final decisions on all matters, however lies with the Board.

The Board has formally established a Board Charter that clearly sets out the roles and responsibilities, composition and processes related to key governance activities. On an annual basis, during the last quarter of the financial year, the Board will review the Board Charter which is published on the corporate website: www.smrhrgroup.com.

The Board has also formalised a code of conduct for its directors which is incorporated in the Board Charter. The Board would periodically review the said code of conduct.

(ii) Board Composition

The Board consists of members from different backgrounds and diverse expertise in leading and directing the Group's business operation. The Board currently consists of one (1) Executive Director and three (3) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the AMLR of Bursa Malaysia Securities Berhad which requires at least two (2) Directors or one-third of the Board of the Company whichever is the higher, to be Independent Directors.

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business. The Board has noted that a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority is important for corporate governance. The current state and size of the Group's business operation does not warrant the separation of power at this point in time. As such, the Board has put in place a mechanism where the Independent Directors forms the majority number on the Board. Periodically, the Board will deliberate on the need to establish the separation of powers.

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.

A. THE BOARD OF DIRECTORS *cont'd*

(iii) Board meetings

The Board met on five (5) occasions during the financial year. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual report and the unaudited quarterly results, financial statements, major acquisitions, internal audit reports and the appointment of External Auditors.

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

Board Meetings Attended During Tenure in Office								
Name of Directors	**Position**	**23rd Feb**	**24th May**	**2nd Jul**	**16th Aug**	**22nd Nov**	**Attendance (nos)**	**Attendance (%)**
Dato' Dr R Palan	Chairman & Chief Executive Officer	✓	✓	✓	✓	✓	5/5	100%
Dr Nadarajah Manickam *(resigned on 31st July 2012)*	Executive Director	×	✓	✓	n/a	n/a	2/3	67%
Tuan Haji Ishak Bin Hashim	Independent Non-Executive Director	✓	✓	✓	✓	✓	5/5	100%
Mr Leow Nan Chye	Independent Non-Executive Director	✓	✓	✓	✓	✓	5/5	100%
Mr Malayandi @ Kalaiarasu	Independent Non-Executive Director	✓	✓	✓	✓	✓	5/5	100%

(iv) Supply of Information

The notice and the set of the agenda papers of Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and Board of Directors meetings are circulated eight (8) days before the meeting to provide sufficient time to the Directors to appreciate the issues to be deliberated and to obtain further explanations before the meetings, where necessary.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretaries and are updated on new statutory regulations or requirements concerning their duties and responsibilities. They may obtain independent professional advice at the Company's expense in furtherance of their duties.

(v) Appointment to the Board

Nomination Committee

The Nomination Committee ("NC") of the Company comprises exclusively of Independent Non-Executive Directors.

The present members of the NC are as follows:

Name of Director	Position	Date Appointed/ (Resigned)	Duration in Service
Tuan Haji Ishak Bin Hashim	Chairman, Independent Non- Executive Director	5th October 2005	7 years 3 months
Mr Leow Nan Chye	Member, Independent Non- Executive Director	5th October 2005	7 years 3 months

A. THE BOARD OF DIRECTORS *cont'd*

(v) Appointment to the Board *cont'd*

Nomination Committee *cont'd*

The NC function is to assist the Board on the following:

1. to review regularly, and at least not less than once a year, the structure, size and composition of the Board and make recommendation to the Board as regards any changes that may, in their view, be beneficial to the company as well as review on its compositions to improve the gender diversity

2. to review the required mix of skills, experience and core competencies which Non-Executive Directors bring to the Board

3. to implement a process, to be carried out annually, to assess the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors

4. to be responsible for identifying and recommending to the Board candidates to fill Board vacancies

5. to recommend to the Board directors who are retiring by rotation to be put forward for re-election

6. to recommend to the Board the continuation or not in service of any director who has reached the age of 70 and the tenure of 9 years

During the year, the NC had assisted the Board on the following functions:

1. reviewed the structure, size and composition of the Board and is satisfied with the structure, size and composition and make recommendation to the Board for approval.

2. reviewed the criteria for the recruitment and annual assessment of directors. The criteria are set out in the Board Charter.

3. reviewed the remuneration packages to retain and attract directors.

During the financial year ended 31st December 2012, the NC held one (1) meeting:

Nomination Meetings Attended During Tenure in Office				
Name of Directors	**Position**	**23rd February**	**Attendance (nos)**	**Attendance (%)**
Tuan Haji Ishak Bin Hashim	Chairman, Independent Non-Executive Director	✓	1/1	100%
Mr Leow Nan Chye	Member, Independent Non-Executive Director	✓	1/1	100%

(vi) Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

(vii) Directors' Training

As required under the AMLR of Bursa Securities Malaysia Berhad, all the Directors have attended the Directors' Mandatory Accreditation Programme. The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

A. THE BOARD OF DIRECTORS *cont'd*

(vii) Directors' Training *cont'd*

During the financial year ended 31st December 2012, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

Name of Directors	Course	Date
Dato' Dr R Palan	HR Practices & Trends: An International Comparison The 41st IFTDO World Conferences	Jan 30th – 31st,2012 April 17th,2012
Tuan Haji Ishak Bin Hashim	Workshop: Opening Your Eyes to Greater Performance Conference : The Asia HRDCongress 2012	July 10th, 2012 July 11th – 12th, 2012
Mr Leow Nan Chye	Workshop : How to Get Wild About Work: Planning for Passion Conference: The Asia HRDCongress 2012	July 10th, 2012 July 11th – 12th, 2012
Mr Malayandi @ Kalaiarasu	Consulting Excellence Delivery Management Management Excellence Program Microsoft SharePoint IGNITE	January 2012 June 2012 December 2012 December 2012

B. DIRECTORS' REMUNERATION

(i) Remuneration Committee

The Remuneration Committee ("RC") shall comprise of a majority of Independent Non-Executive Directors.

The present members of the Remuneration Committee are as follows:

Name of Director	Position	Date Appointed/ (Resigned)	Duration in Service
Tuan Haji Ishak Bin Hashim	Chairman, Independent Non-Executive Director	5th October 2005	7 years 3 months
Mr Leow Nan Chye	Member, Independent Non-Executive Director	5th October 2005	7 years 3 months
Dr Nadarajah Manickam	Member, Executive Director	17th December 2004 / (31st July 2012)	7 years 7.5 months

During the financial year ended 31st December 2012, the RC held one (1) meeting:

Remuneration Meetings Attended During Tenure in Office				
Name of Directors	Position	23rd February	Attendance (nos)	Attendance (%)
Tuan Haji Ishak Bin Hashim	Chairman, Independent Non-Executive Director	✓	1/1	100%
Mr Leow Nan Chye	Member, Independent Non-Executive Director	✓	1/1	100%
Dr Nadarajah Manickam	Member, Executive Director	✓	1/1	100%

(ii) Remuneration Policy

The RC determines and agrees with the Board the broad policy for remuneration of the Company's Managing Director, Executive Directors and senior members of the Company as the Committee is directed to consider. The RC also determines and recommends to the Board any performance related pay schemes for Executive Directors.

B. DIRECTORS' REMUNERATION *cont'd*

(iii) Details of the 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.

An analysis of the aggregate Directors' remuneration paid for Directors of the Company for the year ended 31st December 2012 is set out below:

Name of Directors	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	453	-	9	65	527
Dr Nadarajah A/L Manickam *(Resigned on 31st July 2012)*	77	-	1	7	85
Non-Executive					
Tuan Haji Ishak Bin Hashim	-	36	6	-	42
Mr Leow Nan Chye	-	36	8	-	44
Mr Malayandi @ Kalaiarasu	-	36	5	-	41

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	Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	-	-
RM300,001 – RM350,000	1	-

C. AUDIT COMMITTEE

(i) Audit Committee

The Audit Committee ("AC") shall comprise of exclusively Independent Non-Executive Directors. The composition meets the AMLR.

The present members of the AC are as follows:

Name of Director	Position	Date Appointed/ (Resigned)	Duration in Service
Mr Leow Nan Chye	Chairman, Independent Non-Executive Director	5th October 2005	7 years 3 months
Tuan Haji Ishak Bin Hashim	Member, Independent Non-Executive Director	5th October 2005	7 years 3 months
Malayandi @ Kalaiarasu	Member, Independent Non-Executive Director	17th June 2011	1 year 7 months

C. AUDIT COMMITTEE *cont'd*

(i) Audit Committee *cont'd*

During the financial year ended 31st December 2012, the AC held four (4) meeting:

Audit Committee Meetings Attended During Tenure in Office							
Name of Directors	**Position**	**23rd Feb**	**24th May**	**16th Aug**	**22nd Nov**	**Attendance (nos)**	**Attendance (%)**
Mr Leow Nan Chye	Chairman, Independent Non-Executive Director	✓	✓	✓	✓	4/4	100%
Tuan Haji Ishak Bin Hashim	Member, Independent Non-Executive Director	✓	✓	✓	✓	4/4	100%
Malayandi @ Kalaiarasu	Member, Independent Non-Executive Director	✓	✓	✓	✓	4/4	100%

The responsibilities and activities of the AC are set out in the Audit Committee Report on Pages 16 to 18 of the Annual Report.

D. RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. The Company's annual reports, quarterly financial results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Finance Matters

Name : Ms Foo Phui Foong
Position : Group Finance Manager
Tel : +603 2279 9199
Fax : +603 2279 9099
Email : finance@smrhrgroup.com

Corporate Governance Matters

Name : Ms Foo Phui Foong
Position : Group Finance Manager
Tel : +603 2279 9199
Fax : +603 2279 9099
Email : investors@smrhrgroup.com

Shareholders and members of the public are invited to access the Company's website at www.hub.com and Bursa Malaysia Securities Berhad website at www.bursamalaysia.com.my to obtain the latest information on the Group.

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification on issues and concerns raised by shareholders. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

E. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to shareholders, the Directors are committed to present a balanced and fair assessment of the Group's position and prospects. The financial reports are also reviewed by the Audit Committee to ensure adequacy of information disclosed prior to submission to the Board for approval.

The Board considers that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. A statement by the Board of their responsibilities in preparing the financial statements is set out on page 26 of this Annual Report.

(ii) Related Party Transactions

The Directors recognise that they have to declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. Details of the related party transactions are set out in Note 29 to the annual financial statements.

(iii) Internal Control

The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets. During the financial year, four (4) meetings were held with the outsourced professional service provider, Messrs Sterling Business Alignment Sdn Bhd. Meeting were held on 23rd February 2012, 24th May 2012, 16th August 2012 and 22nd November 2012. More information on the Group's internal control is presented in the Statement on Risk Management & Internal Control set out on pages 29 to 31 of this Annual Report.

(iv) Relationship with the External Auditors

The Board has established a close and transparent relationship with the External Auditors of the Company. The External Auditors, Messrs Baker Tilly Monteiro Heng was invited to the Audit Committee Meetings on 23rd February 2012 to brief the Audit Committee on specific issues arising from the annual audit of the Group and to give appropriate advice in ensuring due compliance with the approved accounting standards. Significant issues raised were taken note by the Management for improvement.

In addition, on 23rd February 2012 and on 22nd November 2012, the Audit Committee met with the External Auditors without the presence of the Management and the Executive Directors. On both occasion, no issue of concerned was raised by the External Auditors.

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 AMLR 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

1. UTILISATION OF PROCEEDS

On 20th December 2012, a proposal to undertake a private placement was announced. However, on 18th January 2013 where 17,252,000 new ordinary shares of RM0.10 each have been issued. The proceeds of RM4,054,220 raised from the private placement exercise had been utilised in the following manner:

	RM
Proceeds from Private Placements	4,054,220
Utilisations :	
Business Expansion Opportunities	210,468
Expenses for the Proposed Private Placement	72,243
Total	**282,711**

2. SHARE BUY-BACK

During the financial year ended 31st December 2012, the Company has repurchased 3,066,600 of its shares capital from the open market. The average price paid for the shares repurchased was RM0.2656 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act 1965.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31st December 2012, the Company has listed 85,963,833 Warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each pursuant to the Bonus Issue of Warrant on the AMLR of Bursa Malaysia Securities Berhad.

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 RM17,799.

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 28 (Recurrent Related Party Transactions of a revenue or trading nature) and in Note 29 on Page 87 (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 2nd June 2012, 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 the 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")	Dato' Dr R Palan ("DRP")	Payment of rental for office space to Related Party	DRP (1)	102
SMR HR Group Sdn Bhd ("SMR HRG"), SMR HR Technologies Pvt Ltd ("SMR HRT PL") SMR HRT	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 (2)	601

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 Director and a major shareholder of PTSB.

INTRODUCTION

The Board is pleased to present the Statement on Risk Management and Internal Control ("the Statement") which outlines the Group's risk management framework and the internal control systems of the Group during the financial year pursuant to the AMLR of Bursa Malaysia Securities Berhad.

This Statement on Risk Management and Internal Control is made in accordance with the Malaysian Code on Corporate Governance 2012, "Statement on Internal Control and Risk Management: Guidance for Directors of Public Listed Companies" and paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Listing Requirements, which require Malaysian public listed companies to make a statement in their annual report about their state of risk management and internal control, as a Group.

RESPONSIBILITY

The Board acknowledges its responsibility to maintain a sound system of internal control and risk management practices within the Group in accordance with the Malaysian Code on Corporate Governance. The Board's responsibility includes the establishment of appropriate control and framework as well as reviewing the adequacy and integrity of the system in managing the Group's business risks. A sound system of internal control is important to safeguard the shareholders' investment and the Group's assets. The system of internal control, due to its inherent limitations, is designed to manage and control risk rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances.

The Board had received assurance from the Chief Executive Officer that the Group's risk management and internal control is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT

Risk management is an integral part of the Group's business operations. The Board confirms that there is an on-ongoing process of identifying, evaluating, monitoring and managing significant risks which is embedded in various operational processes and work procedures of the respective operational functions and management team. Any significant risk issues and action plans were reviewed and discussed at management meetings and quarterly Audit Committee meetings.

INTERNAL CONTROL

The Board 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.

INTERNAL CONTROL *cont'd*

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, are as follows:

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 SharePoint. 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 office 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.

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 Auditors and reports directly to the Audit Committee. During the financial year, the Internal Auditors 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.

INTERNAL AUDIT FUNCTION *cont'd*

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 31st December 2012, the total costs incurred for the outsourced internal audit function is RM25,754 inclusive of reimbursable expenses and service tax.

CONCLUSION

The Board is satisfied that, during the year under review up to the date of approval of the annual report, there is an on going process of identifying, evaluating and managing significant risk faced by the Group in its achievement of objectives and strategies. The existing system of risk management and 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 risk management and 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

Pursuant to Paragraph 15.23 of the AMLR of Bursa Malaysia Securities Berhad, the Group has provided the Messrs Baker Tilly Monteiro Heng the External Auditors with a copy of the Statement. The External Auditors have reviewed this Statement 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's risk management framework and internal control systems.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of employees and the Group's assets.

The board 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 2012.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Profit for the financial year	8,567,500	37,257
Other comprehensive loss	(147,644)	-
Total comprehensive income for the financial year	8,419,856	37,257
Profit attributable to:		
Owners of the Company	8,506,678	37,257
Non controlling interests	60,822	-
	8,567,500	37,257
Total comprehensive income attributable to:		
Owners of the Company	8,359,034	37,257
Non controlling interests	60,822	-
	8,419,856	37,257

DIVIDENDS

During the financial year, the Company paid tax exempted interim dividend of RM0.005 per ordinary share totalling RM840,287/- in respect of the financial year ended 31st December 2012.

The directors do not recommend the payment of any final dividends in respect of the financial year ended 31st December 2012.

RESERVES AND PROVISIONS

There are no material transfers to and from reserves and provisions during the financial year.

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 there were no known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Company are not aware of any circumstances that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company.

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.

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 increased its:-

(i) authorised share capital from RM25,000,000/- to RM50,000,000/- by creation of an additional 250,000,000 ordinary shares of RM0.10/- each; and

ISSUE OF SHARES AND DEBENTURES *cont'd*

(ii) issued and paid-up share capital of:-

(a) 11,835,000 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 RM1,597,725/-

(b) 2,094,446 new ordinary shares of RM0.10 each from the exercise of Employee Share Option Schemes at an exercise price of RM0.158 per ordinary share for a total cash consideration of RM330,922/-

(c) 2,000 new ordinary shares of RM0.10 each from the exercise of warrants at an exercise price of RM0.18 per ordinary share for a total cash consideration of RM360/-

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.

EMPLOYEE SHARE OPTION SCHEMES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS").

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, Mr Leow Nan Chye, Tuan Haji Ishak Bin Hashim and Ms Chew Ann Nei.

The Company had granted total 24,481,333 share options in year 2011. During the financial year, the Company had granted an additional 4,851,999 share options under the employee share option scheme.

The salient features and other terms of the Employee Share Options Schemes are disclosed in Note 14 to the financial statements.

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
12th January 2012	12th January 2012	0.158	3,943,333
4th December 2012	4th December 2012	0.243	473,666
	1st July 2013	0.243	435,000
			29,333,332

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

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of the option holders, other than directors, who have been granted options to subscribe for less than 970,000 ordinary shares of RM1/- each. This information has been separately filed with the Companies Commission of Malaysia.

WARRANTS

On 1st August 2012, the Company have made a bonus issue of 85,963,833 warrants on the basis of one warrant for every two existing ordinary shares of RM0.10 each in the Company held.

As of the end of the reporting date, 2,000 units of warrants were exercised and converted to ordinary shares.

DIRECTORS

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

Dato' Dr. Palaniappan A/L Ramanathan Chettiar
Tuan Haji Ishak Bin Hashim
Mr Leow Nan Chye
Mr Malayandi @ Kalaiarasu
Mr Nadarajah A/L Manickam - *resigned on 31.7.2012*

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2012 are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
The Company				
SMR Technologies Berhad				
Dato' Dr. Palaniappan A/L Ramanathan Chettiar	4,040,464	2,000,000	-	6,040,464
Mr Leow Nan Chye	1,045,800	1,151,700	(800,000)	1,397,500
Tuan Haji Ishak Bin Hashim	13,333	500,000	(250,000)	263,333
Mr Malayandi @ Kalaiarasu	33,333	-	-	33,333

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2012	**Granted**	**Exercised**	**At 31.12.2012**
The Company				
SMR Technologies Berhad				
Dato' Dr. Palaniappan A/L Ramanathan Chettiar	2,933,333	-	(2,000,000)	933,333
Leow Nan Chye	750,000	227,777	(500,000)	477,777
Ishak Bin Hashim	750,000	227,777	(500,000)	477,777

By virtue of their interests in shares in the Company, Dato' Dr. Palaniappan A/L Ramanathan Chettiar, Tuan Haji Ishak Bin Hashim, Mr Leow Nan Chye and Mr 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.

TREASURY SHARES

During the financial year, the Company repurchased 3,066,600 of its issued ordinary shares from the open market at an average price of 26 sen per ordinary share.

EVENTS DURING AND AFTER TO THE FINANCIAL YEAR

Details of the significant and after events are disclosed in Note 33 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

LEOW NAN CHYE
Director

Kuala Lumpur

Date: 30th April 2013

		Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	Note	RM	RM	RM	RM	RM	RM
ASSETS							
Non-current assets							
Property, plant and equipment	4	8,665,084	9,694,266	5,499,558	-	-	-
Investment in subsidiaries	5	-	-	-	15,718,867	14,698,446	14,162,657
Goodwill on consolidation	6	6,663,251	6,663,251	6,663,251	-	-	-
Intangible assets	7	-	-	883	-	-	-
Development costs	8	5,766,267	13,354,710	16,408,284	-	-	-
Trade and other receivables	9	1,128,401	-	-	-	-	-
		22,223,003	29,712,227	28,571,976	15,718,867	14,698,446	14,162,657
Current assets							
Inventories	10	40,953	46,889	47,196	-	-	-
Trade and other receivables	9	24,117,878	12,237,263	7,004,239	993,618	13,518	1,480
Amount due from subsidiaries	11	-	-	-	1,766,403	7,252,550	5,559,433
Tax recoverable		757	891	-	757	891	-
Deposits placed with licensed banks	12	5,113,083	338,191	667,802	-	-	-
Cash and bank balances		1,989,308	3,116,748	69,769	4,396	15,023	130
		31,261,979	15,739,982	7,789,006	2,765,174	7,281,982	5,561,043
TOTAL ASSETS		53,484,982	45,452,209	36,360,982	18,484,041	21,980,428	19,723,700
EQUITY AND LIABILITIES							
Equity attributable to owners of the Company							
Share capital	13	17,536,411	16,143,266	14,666,666	17,536,411	16,143,266	14,666,666
Share premium	13	6,757,395	5,552,373	5,061,195	6,757,395	5,552,373	5,061,195
Treasury shares	13	(814,556)	-	-	(814,556)		
Share based payment reserve	14	162,736	489,066	-	162,736	489,066	-
Revaluation reserve	15	1,753,012	1,788,787	1,825,293	-	-	-
Foreign currency translation reserve	16	13,189	125,058	53,370	-	-	-
Legal reserve	17	203,809	131,380	27,053	-	-	-
Retained earnings/(accumulated losses)		21,670,258	13,968,085	5,683,352	(5,289,507)	(4,558,913)	(3,553,260)
		47,282,254	38,198,015	27,316,929	18,352,479	17,625,792	16,174,601
Non controlling interests		78,990	18,168	4,513	-	-	-
Total Equity		47,361,244	38,216,183	27,321,442	18,352,479	17,625,792	16,174,601

AS AT 31ST DECEMBER 2012
cont'd

		Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	Note	RM	RM	RM	RM	RM	RM
Non-current liabilities							
Hire purchase payables	18	1,894,835	3,300,320	66,569	-	-	-
Leasing liabilities	19	-	67,537	-	-	-	-
Deferred tax liabilities	20	16,875	19,293	134,086	-	-	-
		1,911,710	3,387,150	200,655	-	-	-
Current liabilities							
Trade and other payables	21	2,065,412	2,231,866	4,301,006	131,562	75,196	2,628,820
Hire purchase payables	18	1,402,114	1,295,278	74,041	-	-	-
Leasing liabilities	19	67,524	132,003	-	-	-	-
Bank overdrafts - secured	22	-	-	4,219,357	-	-	-
Tax payables		676,978	189,729	244,481	-	-	-
Amount due to subsidiaries	11	-	-	-	-	4,279,440	920,279
		4,212,028	3,848,876	8,838,885	131,562	4,354,636	3,549,099
Total liabilities		6,123,738	7,236,026	9,039,540	131,562	4,354,636	3,549,099
TOTAL EQUITY AND LIABILITIES		53,484,982	45,452,209	36,360,982	18,484,041	21,980,428	19,723,700

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

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2012

		Group		Company	
		2012	**2011**	**2012**	**2011**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	23	61,445,081	44,442,550	1,500,000	-
Cost of sales		(41,450,552)	(27,329,612)	-	-
GROSS PROFIT		19,994,529	17,112,938	1,500,000	-
Other operating income		169,143	152,978	60,100	800
Administrative expenses		(9,779,876)	(7,866,465)	(1,522,816)	(1,006,651)
Gain on disposal of subsidiary		-	6,820	-	-
OPERATING PROFIT/(LOSS)	24	10,383,796	9,406,271	37,284	(1,005,851)
Finance costs	25	(366,121)	(575,465)	-	-
PROFIT/(LOSS) BEFORE TAXATION		10,017,675	8,830,806	37,284	(1,005,851)
Taxation	26	(1,450,175)	(498,221)	(27)	198
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		8,567,500	8,332,585	37,257	(1,005,653)
Other Comprehensive Income:					
- amortisation of revaluation reserve (Note 15)		(35,775)	(36,506)	-	-
- foreign currency translation		(111,869)	71,688	-	-
		(147,644)	35,182	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		8,419,856	8,367,767	37,257	(1,005,653)
Profit/(loss) attributable to:					
Owners of the Company		8,506,678	8,320,359	37,257	(1,005,653)
Non controlling interests		60,822	12,226	-	-
		8,567,500	8,332,585	37,257	(1,005,653)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		8,359,034	8,355,541	37,257	(1,005,653)
Non controlling interests		60,822	12,226	-	-
		8,419,856	8,367,767	37,257	(1,005,653)
Earning/(loss) per share attributable to Owners of the Company (sen)					
Basic, earning per ordinary share	27(a)	5.18	5.45		
Diluted, earning per ordinary share	27(b)	5.12	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 2012

		Attributable to owners of the Company										
		Non-Distributable							Distributable			
	Note	Share Capital	Share Premium	Share Based Payment Reserve	Revaluation Reserve	Foreign Currency Translation Reserve	Legal Reserve	Treasury Shares	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 2011	13	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		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
Issuance of shares	13	1,392,945	535,703	-	-	-	-	-	-	1,928,648	-	1,928,648
Share buy back		-	-	-	-	-	-	(814,556)	-	(814,556)	-	(814,556)
Amortisation of revaluation reserve		-	-	-	-	-	-	-	35,775	35,775	-	35,775
Transfer to legal reserve		-	-	-	-	-	72,429	-	(72,429)	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	-
Share based payment		-	-	415,265	-	-	-	-	-	415,265	-	415,265
Exercised of employee share option schemes		-	669,159	(669,159)	-	-	-	-	-	-	-	-
Forfeiture of employee share option schemes		-	-	(72,436)	-	-	-	-	72,436	-	-	-
Conversion of warrant		200	160	-	-	-	-	-	-	360	-	360
Dividend paid		-	-	-	-	-	-	-	(840,287)	(840,287)	-	(840,287)
Total comprehensive income for the financial year		-	-	-	(35,775)	(111,869)	-	-	8,506,678	8,359,034	60,822	8,419,856
Balance as at 31st December 2012		17,536,411	6,757,395	162,736	1,753,012	13,189	203,809	(814,556)	21,670,258	47,282,254	78,990	47,361,244

	← Attributable to Owners of the Company					→
	Non-distributable				*Distributable*	
	Share Capital	**Share Premium**	**Share Based Payment Reserve**	**Treasury Shares**	**Accumulated Losses**	**Total Equity**
Company	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance as at 1st January 2011	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
Issuance of shares	1,392,945	535,703	-	-	-	1,928,648
Share buy back	-	-	-	(814,556)	-	(814,556)
Share based payment	-	-	415,265	-	-	415,265
Exercise of employee share option schemes	-	669,159	(669,159)	-	-	-
Forfeiture of employee share option schemes	-	-	(72,436)	-	72,436	-
Conversion of warrant	200	160	-	-	-	360
Dividend paid	-	-	-	-	(840,287)	(840,287)
Total comprehensive income for the financial year	-	-	-	-	37,257	37,257
Balance as at 31st December 2012	17,536,411	6,757,395	162,736	(814,556)	(5,289,507)	18,352,479

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2012

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before taxation	10,017,675	8,830,806	37,284	(1,005,851)
Adjustments for:				
Amortisation	2,843,259	3,091,769	-	-
Depreciation	1,818,460	1,803,005	-	-
Effects of foreign exchange rate changes	(103,216)	71,136	-	-
(Gain)/loss on disposal of:				
- property, plant and equipment	-	(72,795)	-	-
- investment in subsidiary	-	(6,820)	-	32,195
Bargain purchase arising from acquisition of subsidiary	(77,904)	(63,219)	-	-
Dividend income	-	-	(1,500,000)	-
Interest expense	366,121	575,465	-	-
Interest income	(35,602)	(21,142)	-	(752)
Share-based payment expenses	415,208	492,766	124,842	142,943
Property, plant and equipment written off	17,677	1,094	-	-
Operating Cash Flows Before Working Capital Changes	15,261,678	14,702,065	(1,337,874)	(831,465)
Changes In Working Capital:				
Inventories	5,936	307	-	-
Payables	(228,220)	(2,057,303)	56,306	(2,553,399)
Receivables	(6,893,057)	(5,197,438)	(980,100)	(12,038)
	8,146,337	7,447,631	(2,261,668)	(3,396,902)
Tax paid	(966,044)	(668,748)	(724)	(918)
Tax refund	891	-	891	-
Interest paid	(71,973)	(238,717)	-	-
Interest received	35,602	21,142	-	752
Net Operating Cash Flows	7,144,813	6,561,308	(2,261,501)	(3,397,068)

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2012
cont'd

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Deposit (held)/withdraw as security value	(359,192)	329,611	-	-
Investment in subsidiaries	-	-	(729,998)	(221,866)
Purchase of property, plant and equipment (Note A)	(815,908)	(149,107)	-	-
Addition of development expenditure	(551,895)	-	-	-
Net cash (outflow)/inflow on investment in subsidiaries (Note B)	(678,910)	56,026	-	-
Net cash outflow on disposal				
disposal of subsidiary	-	(898)	-	-
plant and equipment	-	78,795	-	-
Proceeds from disposal of subsidiary	-	-	-	5
Dividend income	-	-	1,500,000	-
Net Investing Cash Flows	(2,405,905)	314,427	770,002	(221,861)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interest paid	(294,148)	(336,748)	-	-
Issuance of share capital	1,393,145	1,476,600	1,393,145	1,476,600
Premium on issuance of share capital	535,863	487,478	535,863	491,178
Share buy back	(814,556)	-	(814,556)	-
Dividend paid	(840,287)	-	(840,287)	-
Advance from subsidiaries	-	-	1,206,707	1,666,044
Repayment of hire purchase payables	(1,298,649)	(1,082,269)	-	-
Repayment of leasing liabilities	(132,016)	(154,460)	-	-
Net Financing Cash Flows	(1,450,648)	390,601	1,480,872	3,633,822
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,288,260	7,266,336	(10,627)	14,893
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	3,116,748	(4,149,588)	15,023	130
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6,405,008	3,116,748	4,396	15,023
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	1,989,308	3,116,748	4,396	15,023
Deposits placed with licensed banks	5,113,083	338,191	-	-
	7,102,391	3,454,939	4,396	15,023
Less : Deposits held as security value	(697,383)	(338,191)	-	-
	6,405,008	3,116,748	4,396	15,023

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment amounting to RM 815,908/- (31.12.2011: RM6,040,364/-; 1.1.2011: RM197,133/-) of which RM Nil (31.12.2011: RM5,967,152/-; 1.1.2011: RM40,026/-) were acquired under hire purchase and leasing arrangements. Cash payments amounting to RM Nil (31.12.2011: RM75,895/-; 1.1.2011: RM4,026/-) were paid towards the hire purchase and leasing liabilities.

B. SUMMARY OF EFFECT ON ACQUISITIONS OF SUBSIDIARIES

Group

2012

(a) On 29th November 2012, the Company acquired 750,000 ordinary shares of RM1.00 each, representing 100% of the total issued and paid up share capital of Management Made Easy Sdn. Bhd. ("MME") for a consideration of RM680,000/-.

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/-.

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

	Group	
	2012	**2011**
	RM	**RM**
Revenue	16,000	136,683
Less: Cost of sales	-	(2,818)
	16,000	133,865
Administrative expenses	(10,426)	(69,313)
Profit before tax expense	5,574	64,552
Income tax	-	-
Net profit for the financial year	5,574	64,552

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

	Group	
	2012	**2011**
	RM	**RM**
Property, plant and equipment	-	1,277
Development costs	778,880	-
Trade and other receivables	40,000	38,601
Cash and bank balances	1,090	62,848
Other payables and accruals	(62,066)	(30,113)
Amount due to a director	-	(1,143)
Non-controlling interest	-	(1,429)
Net identifiable assets	757,904	70,041
Bargain purchase as gain in profit or loss	(77,904)	(63,219)
Total purchase consideration	680,000	6,822
Less: Cash and cash equivalents	(1,090)	(62,848)
Net cash outflow/(in flow) on investment in subsidiaries	678,910	(56,026)

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

1. GENERAL INFORMATION

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

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

The Company is a public limited 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 30th April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

The financial statements of the Group and of the Company for the financial year ended 31st December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

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

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

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

(a) Explanation of Transition to MFRSs

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

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1st January 2014. 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.

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

2.2. New, Revised and Amendments/Improvements to Accounting Standards and IC Int *cont'd*

(a) Explanation of Transition to MFRSs *cont'd*

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31st December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1st January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

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, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

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

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1st January 2015
MFRS 10	Consolidated Financial Statements	1st January 2013
MFRS 11	Joint Arrangements	1st January 2013
MFRS 12	Disclosure of Interests in Other Entities	1st January 2013
MFRS 13	Fair Value Measurement	1st January 2013
Revised MFRSs		
MFRS 119	Employee Benefits	1st January 2013
MFRS 127	Separate Financial Statements	1st January 2013
MFRS 128	Investments in Associates and Joint Ventures	1st January 2013
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Financial Reporting Standards	1st January 2013
MFRS 7	Financial Instruments: Disclosures	1st January 2013
MFRS 10	Consolidated Financial Statements	1st January 2013 and 1st January 2014

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

2.2. New, Revised and Amendments/Improvements to Accounting Standards and IC Int *cont'd*

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

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs		
MFRS 11	Joint Arrangements	1st January 2013
MFRS 12	Disclosure of Interests in Other Entities	1st January 2013 and 1st January 2014
MFRS 101	Presentation of Financial Statements	1st July 2012 and 1st January 2013
MFRS 116	Property, Plant and Equipment	1st January 2013
MFRS 127	Separate Financial Statements	1st January 2014
MFRS 132	Financial Instruments: Presentation	1st January 2013 and 1st January 2014
MFRS 134	Interim Financial Reporting	1st January 2013
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1st January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1st January 2013

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

MFRS 9 Financial Instruments

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

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

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

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

2.2. New, Revised and Amendments/Improvements to Accounting Standards and IC Int *cont'd*

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

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

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

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

MFRS 12 Disclosures of Interests in Other Entities

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

MFRS 13 Fair Value Measurement

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

MFRS 128 Investments in Associates and Joint Ventures (Revised)

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

Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities

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

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

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.

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 MFRS 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.

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

2.3. Significant Accounting Policies *cont'd*

(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).

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%

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

2.3. Significant Accounting Policies *cont'd*

(c) Property, Plant and Equipment and Depreciation *cont'd*

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.

(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 1st 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.

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

2.3. Significant Accounting Policies *cont'd*

(e) Goodwill on Consolidation *cont'd*

ii. Acquisition on or after 1st January 2011 *cont'd*

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.

(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 three to five years. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.3(m).

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

2.3. Significant Accounting Policies *cont'd*

(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.

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.

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

2.3. Significant Accounting Policies *cont'd*

(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.

(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.

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

2.3. Significant Accounting Policies *cont'd*

(l) Financial Instruments *cont'd*

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.

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.

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

2.3. Significant Accounting Policies *cont'd*

(l) Financial Instruments *cont'd*

(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.

(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.

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

2.3. Significant Accounting Policies *cont'd*

(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.

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.

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

2.3. Significant Accounting Policies *cont'd*

(m) Impairment of Assets *cont'd*

(ii) Impairment of Non-financial Assets cont'd

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.

(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.

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

2.3. Significant Accounting Policies *cont'd*

(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.

(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 retained 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.

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

2.3. Significant Accounting Policies *cont'd*

(s) Assets Held For Sale *cont'd*

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.

(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) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(v) Cash and Cash Equivalents

For the purpose of statements of cash flows, 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.

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

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.

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

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may 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 Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

As at reporting date, the directors of the Group 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.

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

Key Sources of Estimation Uncertainty *cont'd*

(iv) Impairment of goodwill

The Group determines whether goodwill is 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.

(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 3 to 5 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the 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.

(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) 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 and deferred income tax provisions in the period in which such determination is made.

(ix) 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.

(x) 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.

4. PROPERTY, PLANT AND EQUIPMENT

Group 31.12.2012	Office Suite	Library	Computer Office	Computer for Development Activities	Computer Software	Office Equipment	Furniture and Fittings	Motor Vehicles	Renovation	Total
	At Valuation	←			At Cost				→	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost/Valuation										
At 1st January 2012	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
Additions	-	2,968	42,394	-	11,289	146,654	98,083	-	514,520	815,908
Disposals	-	-	(27,000)	-	-	-	(3,374)	-	-	(30,374)
Effect of foreign exchange difference	-	-	(4,158)	-	-	(1,338)	(4,979)	-	-	(10,475)
At 31st December 2012	3,900,000	953,964	1,139,580	3,402,150	1,612,776	439,001	1,720,545	5,750,800	527,818	19,446,634
Accumulated Depreciation										
At 1st January 2012	253,500	928,257	689,732	3,382,619	1,422,345	269,423	930,732	1,090,061	10,640	8,977,309
Depreciation for the financial year	78,000	16,330	129,688	17,901	151,138	20,464	171,641	1,150,160	83,138	1,818,460
Disposals	-	-	(10,710)	-	-	-	(1,687)	-	-	(12,397)
Effect of foreign exchange difference	-	-	(920)	-	-	(56)	(846)	-	-	(1,822)
At 31st December 2012	331,500	944,587	807,790	3,400,520	1,573,483	289,831	1,099,840	2,240,221	93,778	10,781,550
Carrying Amounts										
At 31st December 2012	3,568,500	9,377	331,790	1,630	39,293	149,170	620,705	3,510,579	434,040	8,665,084

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

Group 31.12.2011	Office Suite	Library	Computer Office	Computer for Development Activities	Computer Software	Office Equipment	Furniture and Fittings	Motor Vehicles	Renovation	Total
	At Valuation	←			At Cost				→	
	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
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
Carrying Amounts										
At 1st January 2011	3,724,500	145,766	194,694	60,235	372,060	42,957	857,510	96,518	5,318	5,499,558

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

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.

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 RM1,822,411/- (31.12.2011: RM1,864,066/-; 1.1.2011: RM1,905,721/-).

c. The office suite with the carrying amount of RM3,568,500/- (31.12.2011: RM3,646,500/-; 1.1.2011: RM3,724,500/-) has been pledged as security for banking facilities granted to the subsidiary.

d. Motor vehicles and computer office with total carrying amount of RM3,509,778/- (31.12.2011: RM4,659,064/-; 1.1.2011: RM93,971/-) and RM192,510/- (31.12.2011: RM283,200/-; 1.1.2011:RM Nil) were acquired under hire purchase and lease arrangements respectively.

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		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Computer - office	1,216,346	1,141,532	245,928
Computer for development activities	3,350,118	3,304,382	3,198,628
Office equipment	253,373	227,702	147,451
Library	308,901	308,901	308,496
Furniture and fittings	31,560	31,560	31,560
	5,160,298	5,014,077	3,932,063

f. Included in depreciation for the financial year is an amount of RM Nil (31.12.2011: RM37,312/-; 1.1.2011: RM680,430/) capitalised in development costs.

5. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Unquoted shares - at cost			
At the beginning of the financial year	14,798,446	14,262,657	14,237,657
Add :			
ESOS granted to employees of subsidiaries	290,423	346,123	-
Acquisition of subsidiary	729,998	221,866	25,000
Less: Disposal of subsidiary	-	(32,200)	-
At the end of the financial year	15,818,867	14,798,446	14,262,657
Less : Impairment loss	(100,000)	(100,000)	(100,000)
Carrying amount	15,718,867	14,698,446	14,162,657

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			Principal Activities
		31.12.2012	31.12.2011	1.1.2011	
		%	%	%	
Direct subsidiaries					
SMR HR Technologies Sdn. Bhd.	Malaysia	100	100	100	Software consultancy and development and its related activities
SMR HR Group Sdn. Bhd.	Malaysia	100	100	100	Provision of HRD solutions covering training, consulting, outsourcing, events, learning resources and advisory support services
SMR HR Solutions Sdn. Bhd. (formerly known as SMR Events Sdn. Bhd.)	Malaysia	100	100	100	Dormant
SMR Education Sdn. Bhd. * (formerly known as SMR Films Sdn. Bhd.)	Malaysia	100	100	100	Dormant
Agensi Pekerjaan SMR Talent Search Sdn. Bhd.	Malaysia	100	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	99	-	HR consulting, HR development, training and its related activities
Management Made Easy Sdn. Bhd.#^	Malaysia	100	-	-	Development and marketing software for human resources
Indirect subsidiaries					
SMR Gulf WLL#	Kingdom of Bahrain	-	-	99	HR consulting, HR development, training and its related activities
SMR HR Technologies Pvt Ltd#	India	98	98	-	Providing software consulting and HR development solutions covering training, consulting, outsourcing, events, learning resources and advisory support services

5. INVESTMENT IN SUBSIDIARIES *cont'd*

2012

* *On 21st February 2012, the Company had further subscribed additional 49,998 of new ordinary shares of RM1/- each for a total consideration of RM49,998/- in the subsidiary.*

^ *On 29th November 2012, the Company had acquired 750,000 ordinary shares of RM1/- each, representing 100% of the total issued and paid up share capital of the subsidiary for a consideration of RM680,000/-.*

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

6. GOODWILL ON CONSOLIDATION

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Costs			
At the beginning of the financial year	6,678,095	6,678,095	6,666,051
Acquisition of subsidiaries	-	-	12,044
At the end of the financial year	6,678,095	6,678,095	6,678,095
Less : Impairment loss			
At the beginning of the financial year	14,844	14,844	2,800
Impairment during the financial year	-	-	12,044
At the end of the financial year	14,844	14,844	14,844
Carrying amount	6,663,251	6,663,251	6,663,251

Goodwill is allocated to the Group's Cash Generating Unit ("CGU") expected to benefits from the synergies of the acquisitions. Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on value-in-use.

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 for the human resources development solutions in Malaysia. These forecasts and projections reflect the management's expectation of revenue growth, operating costs and margin based on past experience and future outlook of the CGU based on internal measurements and monitoring and external sources of information.

The key assumptions used in the value in use calculation are as follows:

i. The anticipated annual revenue growth rate included in the cash flow projections was between 2% and 25% for the years 2013 to 2017 based on financial budget of the projects that are expected to be secured over the 5 years period. The projected revenue and gross profit margin in the cash flow projection are as follows:

	2013	**2014**	**2015**	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue					
software development	6,250	5,500	5,763	6,038	6,328
training	60,010	77,893	80,193	84,387	86,992
	66,260	83,393	85,956	90,425	93,320
Gross Profit Margin	38%	35%	34%	38%	38%

6. GOODWILL ON CONSOLIDATION *cont'd*

The key assumptions used in the value in use calculation are as follows: *cont'd*

ii. A pre-tax discount rate of 3% (31.12.2011: 3%; 1.1.2011: 3%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on specific risks relating to the relevant segments.

iii. Profit margins are projected based on the gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and cost saving measures.

Sensitivity to changes in assumptions

The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amounts of the CGU.

7. INTANGIBLE ASSETS

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Intellectual Property Rights			
Costs			
At beginning of the financial year	981,701	981,701	981,701
Less : Accumulated amortisation			
At beginning of the financial year	981,701	980,818	971,605
Amortisation for the financial year	-	883	9,213
At end of the financial year	981,701	981,701	980,818
Carrying amount			
At end of the financial year	-	-	883

8. DEVELOPMENT COSTS

(a) Software Development

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Costs			
At the beginning of the financial year	22,631,549	22,594,237	21,913,307
Acquisition of a subsidiary	778,880	-	-
Additions during the financial year	230,895	37,312	680,930
Disposal	(7,521,947)	-	-
At the end of the financial year	16,119,377	22,631,549	22,594,237
Less : Accumulated amortisation			
At the beginning of the financial year	9,276,839	6,185,953	5,215,243
Amortisation for the financial year	2,736,259	3,090,886	970,710
Disposal	(1,445,988)	-	-
At the end of the financial year	10,567,110	9,276,839	6,185,953
Carrying amount (a)	5,552,267	13,354,710	16,408,284

(b) Training Module

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Costs			
At the beginning of the financial year	-	-	-
Additions during the financial year	321,000	-	-
At the end of the financial year	321,000	-	-
Less : Accumulated amortisation			
At the beginning of the financial year	-	-	-
Amortisation for the financial year	107,000	-	-
	107,000	-	-
Carrying amount (b)	214,000	-	-
Grand total (a) + (b)	5,766,267	13,354,710	16,408,284

8. DEVELOPMENT COSTS *cont'd*

Included in the software development costs incurred during the financial year are as follows:

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Staff costs	5,895	-	-
Depreciation	-	37,312	680,430

Included in the additions for training module are RM256,000/- , which is the professional fees charged by a company in which a director of a subsidiary is a former director.

The directors have assess the recoverable amount of the assets based on the value in use and are of the view that no impact resulting from the impairment review by the management. The key assumption used is disclosed in Note 6 to the financial statements.

9. TRADE AND OTHER RECEIVABLES

		Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	Note	RM	RM	RM	RM	RM	RM
Non-current							
Other receivables	(b)	1,128,401	-	-	-	-	-
Current							
Trade receivables	(a)	16,597,247	11,661,100	6,248,836	-	-	-
Other receivables		5,737,505	157,595	9,256	-	-	-
Prepayments		1,031,009	155,032	559,692	513,618	13,518	1,480
Deposits		752,117	263,536	186,455	480,000	-	-
		24,117,878	12,237,263	7,004,239	993,618	13,518	1,480

a. Trade receivables

Group

The Group's normal trade credit terms range from 30 to 90 days (31.12.2011: 30 to 90 days; 1.1.2011: 30 to 90 days). The credit terms are assessed and approved on a case-by-case basis.

9. TRADE AND OTHER RECEIVABLES *cont'd*

a. Trade receivables *cont'd*

Group

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Ringgit Malaysia	12,074,543	5,722,094	4,537,071
United States Dollar	2,706,401	4,269,754	797,135
Brunei Dollar	18,318	30,777	118,074
Bahrain Dinar	109,437	247,177	335,545
Euro	-	-	158,385
Qatar Riyal	78,843	53,988	227,840
Singapore Dollar	-	12,214	-
Saudi Riyals	-	43,148	-
Arab Emirates Dollar	1,607,917	1,281,948	74,786
India Rupee	1,788	-	-
	16,597,247	11,661,100	6,248,836

Ageing analysis of trade receivables

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Neither past due nor impaired	11,673,600	8,338,618	5,143,931
1 to 30 days past due but not impaired	3,444,336	580,168	171,279
31 to 60 days past due but not impaired	-	1,283,870	93
61 to 90 days past due but not impaired	-	418,346	702,385
91 to 120 days past due but not impaired	-	40,315	-
More than 121 days past due but not impaired	1,479,311	999,783	231,148
	4,923,647	3,322,482	1,104,905
Impaired	-	-	-
	16,597,247	11,661,100	6,248,836

Receivables that are neither past due nor impaired

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

9. TRADE AND OTHER RECEIVABLES *cont'd*

a. Trade receivables *cont'd*

Group

Receivables that are past due but not impaired

At the reporting date, the Group has trade receivables amounting to RM4,923,647/- (31.12.2011: RM3,322,482/-; 1.1.2011: RM1,104,905/-) that are past due but not impaired.

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.

Receivables that are impaired

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

b. Other receivables

Group

Included in other receivables are:

(i) On 4th April 2012, a subsidiary entered into a Intellectual Property Sales Agreement to dispose of certain software development products to Staff Solutions Sdn. Bhd. ("SSSB"), being a company in which a director of a subsidiary is a former director for RM6,075,959/-.

On 23th March 2013, the subsidiary entered into a settlement agreement with SSSB to settle the outstanding amount by March 2014. As a result, RM147,558/-has been charged into profit and loss.

The directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances.

(ii) an amount of RM500,000/- (31.12.2011: RM Nil, 1.1.2011: RM Nil) which is due from a third party, arising from the cancellation of a branding exercise agreement in the subsidiary. The said party agreed to settle the outstanding amount by May 2013.

(iii) an amount of RM300,000/- (31.12.2011: RM Nil, 1.1.2011: RM Nil), which is a loan made to a director of the Group for the purpose of acquiring a house pursuant to Section 133(1)(b) of the Companies Act 1965, in Malaysia.

10. INVENTORIES

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Consumable inventories	40,953	46,889	47,196

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Amount due from subsidiaries	1,766,403	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.

12. 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.

The deposits placed with licensed banks earned interest at 1.70% to 3.10% (31.12.2011: 2.00% - 3.15%; 1.1.2011: 3.00% to 3.70%) per annum.

13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Group and Company					
	Number of ordinary shares of RM0.10 each		Amount			
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid)	Share premium	Total share capital and share premium	Treasury shares
			RM	RM	RM	RM
At 1st January 2011	146,666,666	-	14,666,666	5,061,195	19,727,861	-
Issuance of shares via private placement	14,666,000	-	1,466,600	483,978	1,950,578	-
Exercise of employee share option schemes	100,000	-	10,000	7,200	17,200	-
At 31st December 2011	161,432,666	-	16,143,266	5,552,373	21,695,639	-
Exercise of employee share option schemes	13,929,446	-	1,392,945	1,204,862	2,597,807	-
Exercise of warrant	2,000	-	200	160	360	-
Share buy back	-	(3,066,600)	-	-	-	(814,556)
At 31st December 2012	175,364,112	(3,066,600)	17,536,411	6,757,395	24,293,806	(814,556)

13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES *cont'd*

	Group and Company					
	Number of ordinary shares of RM0.10 each			Amount		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	'000	'000	'000	RM'000	RM'000	RM'000
Authorised share capital						
At beginning of the financial year	250,000	250,000	250,000	25,000	25,000	25,000
Created during the financial year	250,000	-	-	25,000	-	-
At end of the financial year	500,000	250,000	250,000	50,000	25,000	25,000

(a) *Share capital*

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

(b) *Share premium*

	Group and Company		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At 1st January	5,552,373	5,061,195	5,061,195
Issuance of share via private placement	-	483,978	-
Exercise of employee share option scheme	1,204,862	7,200	-
Exercise of warrants	160	-	-
At 31st December	6,757,395	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.

(c) *Treasury shares*

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 3,066,600 shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM814,556/- and this was presented as a component within shareholders' equity.

14. 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 or forfeiture of the share options .

14. SHARE BASED PAYMENT RESERVE *cont'd*

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.

In year 2011, the Company had granted a total 24,481,333 share options under the employee share option scheme.

During the financial year, the Company had granted additional of 4,851,999 share options under the employee share option scheme.

Employee share option scheme ("ESOS")

Details of all the options granted as at 31st December 2012 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		
12th January 2012	12th January 2012	0.158	3,943,333		
4th December 2012	4th December 2012	0.243	473,666		
	1st July 2013	0.243	435,000		
			29,333,332		

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 16th 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.

14. SHARE BASED PAYMENT RESERVE *cont'd*

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

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:-

	31.12.2012		31.12.2011	
	Number of ordinary shares	WAEP	Number of ordinary shares	WAEP
	Unit	RM	Unit	RM
Outstanding as at 1st January	24,381,333	-	-	-
- Granted	4,851,999	0.201	24,481,333	0.135
- Forfeited	(1,055,000)	0.135	-	0.135
- Exercised	(13,929,446)	0.138	(100,000)	0.135
Outstanding as at 31st December	14,248,886		24,381,333	
Exercisable as at 31st December	14,248,886		24,381,333	

(i) The weighted average share price of the option exercised during the financial year was RM0.138 (31.12.2011: RM0.135);

(ii) The weighted average share prices for options outstanding as at the end of the year was RM0.145 (31.12.2011: RM0.135). The weighted average remaining contractual life for these options is 2.5 years.

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.

14. SHARE BASED PAYMENT RESERVE *cont'd*

Fair value of share options granted *cont'd*

The following table lists the inputs to the option pricing models for the financial year ended 31st December 2012.

Parameter and Assumptions	Grant date of 3rd June 2011	Grant date of 7th July 2011	Grant date of 12th January 2012	Grant date of 4th December 2012
Share price at valuation date	RM0.155	RM0.140	RM0.190	RM0.275
Exercise price	RM0.135	RM0.135	RM0.158	RM0.243
Risk-free interest rate (% p.a.)	3.17%	3.16%	2.89%	2.98%
Expected life of option (years)	1.727	1.805	0.399	0.876
Dividend yield (% p.a.)	0.50%	0.50%	0.50%	0.50%
Expected volatility (% p.a.)	90.00%	90.00%	70.00%	70.00%
Rate of leaving services (% p.a.)	Prior to vesting date	Prior to vesting date	Prior to vesting date	Prior to vesting date
	0.00%	0.00%	0.00%	0.00%
	After vesting date	After vesting date	After vesting date	After vesting date
	50.00%	50.00%	45.00%	45.00%
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	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		Company	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM	RM	RM	RM
Total expenses recognised as shared-based payments share options granted during the financial year	415,208	492,766	124,842	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.

15. REVALUATION RESERVE

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At the beginning of the financial year	1,788,787	1,825,293	1,862,544
Amortisation for the financial year	(35,775)	(36,506)	(37,251)
At the end of the financial year	1,753,012	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.

16. FOREIGN CURRENCY TRANSLATION RESERVE

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.

17. 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.

18. HIRE PURCHASE PAYABLES

Hire purchase obligations repayable are as follows:-

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Future minimum hire purchase payments			
- not later than one year	1,580,040	1,580,040	79,774
- later than one year and not later than five years	1,939,024	3,387,592	71,618
- later than five years	76,769	208,318	-
	3,595,833	5,175,950	151,392
Future interest charges	(298,884)	(580,352)	(10,782)
Present value of hire purchase payables	3,296,949	4,595,598	140,610
Current			
- not later than one year	1,402,114	1,295,278	74,041
Non-current			
- later than one year and not later than five years	1,819,205	3,099,733	66,569
- later than five years	75,630	200,587	-
	3,296,949	4,595,598	140,610

Hire purchase payables bear interest ranging from 3.82% to 6.31% (31.12.2011: 3.91% - 6.34%; 1.1.2011: 2.50% to 10.00%) per annum.

19. LEASING LIABILITIES

Leasing obligations are repayable as follows:-

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Future minimum leasing payments			
- not later than one year	72,485	144,772	-
- later than one year and not later than five years	-	72,485	-
	72,485	217,257	-
Future interest charges	(4,961)	(17,717)	-
Present value of leasing liabilities	67,524	199,540	-
Current:			
- not later than one year	67,524	132,003	-
Non-current			
- later than one year and not later than five years	-	67,537	-
	67,524	199,540	-

The leasing liabilities bear interest at 6.63% (31.12.2011: 6.63%; 1.1.2011: Nil) per annum.

20. DEFERRED TAX LIABILITIES

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At the beginning of the financial year	19,293	134,086	66,774
Reclassification of account	2,854	-	-
Transfer (to)/from profit or loss (Note 26)	(5,272)	(114,793)	67,312
At the end of the financial year	16,875	19,293	134,086

21. TRADE AND OTHER PAYABLES

	Note	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Trade payables	(a)	67,278	279,779	750,977	-	-	-
Other payables		165,949	251,597	536,483	63,077	68,653	187,103
Deposit		54,000	-	-	-	-	-
Accruals		1,778,185	1,700,490	663,208	68,485	6,543	91,379
		1,998,134	1,952,087	1,199,691	131,562	75,196	278,482
Vendor account	(b)	-	-	2,350,338	-	-	2,350,338
		2,065,412	2,231,866	4,301,006	131,562	75,196	2,628,820

Group

Trade payables

(a) The normal trade credit terms granted to the Group range from 30 to 90 days (31.12.2011: 30 to 90 days; 1.1.2011: 30 to 90 days).

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

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Ringgit Malaysia	55,810	264,630	713,148
United States Dollar	-	-	5,304
Pound Sterling	-	15,149	-
Saudi Riyal	-	-	15,548
Australian Dollar	11,468	-	16,977
	67,278	279,779	750,977

(b) Vendor account

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. In year 2011, the Company has paid in full the amount owing to the vendor.

22. BANK OVERDRAFTS - SECURED

The bank overdrafts are secured by way of:-

(i) fresh Facility Agreement and Deed of Assignment over 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% (31.12.2011: 7.55% to 8.60%; 1.1.2011: 5.55% to 9.05%) per annum.

23. REVENUE

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Software consultancy and development	3,044,732	5,633,504	-	-
Training, event and recruitment	57,978,873	36,969,197	-	-
Consulting	421,476	1,839,849	-	-
Dividend income	-	-	1,500,000	-
	61,445,081	44,442,550	1,500,000	-

24. OPERATING PROFIT/(LOSS)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
After charging:-				
Amortisation:				
- intellectual property rights	-	883	-	-
- development costs	2,843,259	3,090,886	-	-
Audit fees:				
- current year	69,280	56,530	14,000	12,000
- under accrual in prior year	4,122	11,300	1,590	2,000
Amortisation of financial assets	147,558	-	-	-
Depreciation	1,818,460	1,803,005	-	-
Directors' remuneration:				
- fees	122,000	93,720	108,000	91,489
- salaries and allowances	1,104,668	900,275	530,024	444,000
- Employees' Provident Fund and SOCSO	138,296	95,976	72,536	41,044
- other emoluments	28,500	25,500	28,500	25,500
Loss on disposal of investment in subsidiary	-	-	-	32,195
Property, plant and equipment written off	17,677	1,094	-	-
Realised loss on foreign exchange	112,680	111,753	-	-
Unrealised loss on foreign exchange	116,112	-	-	-
Rental of:				
- office	460,495	191,617	-	-
- office equipment	12,525	5,720	-	-
- motor vehicles	15,390	14,021	-	-
- card auto machine	1,224	1,208	-	-
Staff costs:				
- salary, wages, allowances and bonus	3,242,390	3,062,918	55,000	-
- Employees' Provident Fund and SOCSO	291,270	280,052	5,100	-
- other staff related expenses	299,624	200,262	597	1,582
Share based payment expenses	415,208	492,766	124,842	146,643
and crediting:-				
Bargain purchase arising from acquisition of subsidiary	77,904	63,219	-	-
Dividend income received from subsidiary	-	-	1,500,000	-
Gain on disposal of :				
- property, plant and equipment	-	72,795	-	-
- investment in subsidiary	-	6,820	-	-
Interest income	35,602	21,142	-	752
Management fees charged to subsidiary	-	-	60,100	-
Rental income	36,000	-	-	-

25. FINANCE COSTS

	Group 2012 RM	Group 2011 RM
Interest expense		
- hire purchase	(281,392)	(318,159)
- leasing	(12,756)	(18,589)
- overdraft interest	(71,973)	(238,717)
	(366,121)	(575,465)

26. TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Income tax				
- current year	(1,411,295)	(575,291)	(784)	(693)
- prior year	(44,152)	(37,723)	757	891
Deferred tax liabilities (Note 20)				
- current year	(1,218)	89,733	-	-
- prior year	6,490	25,060	-	-
	(1,450,175)	(498,221)	(27)	198

Group

Income tax is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit for the fiscal year.

26. TAXATION *cont'd*

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	
	2012	2011	2012	2011
	RM	RM	RM	RM
Profit/(loss) before taxation	10,017,675	8,830,806	37,284	(1,005,851)
Tax at the applicable tax rate of 25%	(2,504,419)	(2,207,702)	(9,321)	251,463
Tax effect arising from				
- differences of tax rates	1,404,324	260,820	-	-
- non-deductible expenses	(622,488)	(1,194,413)	(136,467)	(252,156)
- non-taxable income	-	17,509	390,025	-
- reversal/(origination) of deferred tax assets not recognised in the financial statements	311,372	(170,512)	(245,021)	-
- temporary differences due to pioneer status	-	2,808,740	-	-
- (under)/over accrual in prior years	(38,964)	(12,663)	757	891
Tax expense for the financial year	(1,450,175)	(498,221)	(27)	198

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Deductible temporary differences	2,771,486	3,224,724	-	-
Unutilised tax losses	1,061,058	1,853,309	-	-
	3,832,544	5,078,033	-	-
Potential deferred tax assets not recognised at 25%	958,136	1,269,508	-	-

27. 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	
	2012	**2011**
	RM	**RM**
Profit attributable to owners of the Company	8,506,678	8,320,359
Weighted average number of ordinary shares in issue	164,290,708	152,665,937
Basic earnings per share (sen)	5.18	5.45

(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	
	2012	**2011**
	RM	**RM**
Profit attributable to owners of the Company	8,506,678	8,320,359
Weighted average number of ordinary shares in issue*	164,290,708	152,665,937
Effect of dilution for:		
Employee Share Option Scheme	1,806,627	1,790,137
Adjusted weighted average number of ordinary shares in issue and issuable	166,097,335	154,456,074
Diluted earnings per share (sen)	5.12	5.39

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

28. CONTINGENT LIABILITIES

As at 31st December 2012, the Company is contingently liable for the following:-

	Company	
	2012	**2011**
	RM	**RM**
Corporate guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries	10,200,000	10,200,000

29. 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.

The Group and the Company has related party relationship with its subsidiaries companies, significant investor, subsidiaries and associates, Directors and key management personnel.

In addition, the Group also has related party relationship with:-

Related Parties	Relationship
Personal Transformation Sdn. Bhd.	A company in which a director has interest

(b) *Significant Related Party Transactions*

In the normal course of business, the Group and the Company undertake transactions with some of its related parties listed above.

Set out below are significant related party transactions during the financial year (in addition to related party disclosures mentioned elsewhere in the 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	
	2012	2011	2012	2011
	RM	RM	RM	RM
Subsidiaries				
SMR HR Technologies Sdn. Bhd.				
Dividend income	-	-	(1,500,000)	-
SMR HR Group Sdn. Bhd.				
Management fees receivable	-	-	(60,100)	-
Directors				
Rental expenses	101,640	101,640	-	-
Related Party				
Personal Transformation Sdn. Bhd.				
Professional fees charged	600,900	675,000	-	-

(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.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

(c) *Key Management Personnel Compensation* *cont'd*

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Directors				
Salaries and allowances	1,104,668	900,275	530,024	444,000
Fee	122,000	93,720	108,000	91,489
Employees' Provident Fund and SOCSO	138,296	95,976	72,536	41,044
Other emoluments	28,500	25,500	28,500	25,500
	1,393,464	1,115,471	739,060	602,033
Other key management personnel				
Salaries and allowances	528,873	719,010	-	-
	1,922,337	1,834,481	739,060	602,033

30. SEGMENTAL INFORMATION

(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 revenue. 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, training services and other software related services.

(b) *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 three major customers amounting to RM55,202,505/- arising from sales by the training services in Malaysia.

30. SEGMENTAL INFORMATION *cont'd*

(c) *Measurement of Reportable Segments*

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

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.

2012	Malaysia RM	Asia RM	Kingdom of Bahrain RM	Elimination RM	Total Operations RM
Revenue					
External sales	58,465,249	304,813	2,675,019	-	61,445,081
Inter-segment sales	8,363,000	1,796,193	6,897,790	(17,056,983)	-
	66,828,249	2,101,006	9,572,809	(17,056,983)	61,445,081
Results					
Segment results	13,630,198	1,249,665	5,914,792	(800,126)	19,994,529
Unallocated expenses					(9,541,079)
Finance costs					(366,121)
Amortisation of financial assets					(147,558)
Bargain purchase gain arising from acquisition of subsidiary					77,904
Profit before taxation					10,017,675
Taxation					(1,450,175)
Profit after taxation					8,567,500
Assets					
Segment assets	50,431,148	197,380	2,855,697	-	53,484,225
Total assets					53,484,225
Liabilities					
Segment liabilities	5,411,038	14,091	4,757	-	5,429,886
Total liabilities					5,429,886
Other segment information					
Depreciation	1,794,506	16,928	7,026	-	1,818,460
Amortisation	2,843,259	-	-	-	2,843,259
					4,661,719

30. SEGMENTAL INFORMATION *cont'd*

(c) Measurement of Reportable Segments cont'd

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 gain 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	43,676,299	99,440	1,675,579	-	45,451,318
Total assets					45,451,318
Liabilities					
Segment liabilities	6,978,161	39,719	9,124	-	7,027,004
Total liabilities					7,027,004
Other segment information					
Depreciation	1,793,933	2,111	6,961	-	1,803,005
Amortisation	3,091,769	-	-	-	3,091,769
					4,894,774

31. 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**	**Financial liabilities at amortised cost**	**Total**
31.12.2012	**RM**	**RM**	**RM**
Financial assets			
Trade and other receivables *(exclude deposits and prepayments)*	23,463,153	-	23,463,153
Deposits placed with licensed banks	5,113,083	-	5,113,083
Cash and bank balances	1,989,308	-	1,989,308
	30,565,544	-	30,565,544
Financial liabilities			
Trade and other payables *(exclude deposits and accruals)*	-	233,227	233,227
Hire purchase payables	-	3,296,949	3,296,949
Leasing liabilities	-	67,524	67,524
	-	3,597,700	3,597,700
31.12.2011			
Financial assets			
Trade and other receivables *(exclude deposits and prepayments)*	11,818,695	-	11,818,695
Deposits placed with licensed banks	338,191	-	338,191
Cash and bank balances	3,116,748	-	3,116,748
	15,273,634	-	15,273,634
Financial liabilities			
Trade and other payables *(exclude deposits and accruals)*	-	531,376	531,376
Hire purchase payables	-	4,595,598	4,595,598
Leasing liabilities	-	199,540	199,540
	-	5,326,514	5,326,514

31. FINANCIAL INSTRUMENTS *cont'd*

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

Group 1.1.2011	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Financial assets			
Trade and other receivables *(exclude deposits and prepayments)*	6,258,092	-	6,258,092
Deposits placed with licensed banks	667,802	-	667,802
Cash and bank balances	69,769	-	69,769
	6,995,663	-	6,995,663
Financial liabilities			
Trade and other payables *(exclude deposits and accruals)*	-	3,637,798	3,637,798
Hire purchase payables	-	140,610	140,610
Bank overdrafts - secured	-	4,219,357	4,219,357
	-	7,997,765	7,997,765
Company			
31.12.2012			
Financial assets			
Amount due from subsidiaries	1,766,403	-	1,766,403
Cash and bank balances	4,396	-	4,396
	1,770,799	-	1,770,799
Financial liabilities			
Trade and other payables *(exclude deposits and accruals)*	-	63,077	63,077

31. **FINANCIAL INSTRUMENTS** *cont'd*

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

Company 31.12.2011	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Financial assets			
Amount due from subsidiaries	7,252,550	-	7,252,550
Cash and bank balances	15,023	-	15,023
	7,267,573	-	7,267,573
Financial liabilities			
Trade and other payables *(exclude deposits and accruals)*	-	68,653	68,653
Amount due to subsidiaries	-	4,279,440	4,279,440
	-	4,348,093	4,348,093
1.1.2011			
Financial assets			
Amount due from subsidiaries	5,559,433	-	5,559,433
Cash and bank balances	130	-	130
	5,559,563	-	5,559,563
Financial liabilities			
Trade and other payables *(exclude deposits and accruals)*	-	2,537,441	2,537,441
Amount due to subsidiaries	-	920,279	920,279
	-	3,457,720	3,457,720

(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.

There were no unrecognised financial instruments as at 31st December 2012 that are required to be disclosed.

32. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk and market 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.

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

(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. 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.

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 9 to the financial statements.

Credit risk concentration profile

There is no concentration of credit risk other than the top three trade receivables and other receivable with total outstanding amounting to RM17,245,386/- as at reporting date.

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.

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.

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

(ii) Liquidity Risk *cont'd*

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:

	Carrying Amount	Undiscounted cash flow: On demand or within 1 year	1 to 5 years	More than 5 years	Total
	RM	RM	RM	RM	RM
31.12.2012					
Financial liabilities					
Group					
Trade and other payables	2,065,412	2,065,412	-	-	2,065,412
Hire purchase payables	3,296,949	1,580,040	1,939,024	76,769	3,595,833
Leasing liabilities	67,524	72,485	-	-	72,485
	5,429,885	3,717,937	1,939,024	76,769	5,733,730
Company					
Trade and other payables	131,562	131,562	-	-	131,562
31.12.2011					
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
1.1.2011					
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

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

(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.

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.

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Fixed rate instruments			
Financial liabilities			
Hire purchase payables	3,296,949	4,595,598	140,610
Leasing liabilities	67,524	199,540	-
Financial assets			
Deposits placed with licensed bank	5,113,083	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

The Group does not have any exposure to interest rate risk as at the end of reporting date.

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

(iii) Market Risk *cont'd*

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 Dinar, Euro, Qatar Riyal, Singapore Dollar, Saudi Riyals, Pound Sterling and Arab Emirates Dollar. The Group's trade receivables and trade payable balance at the reporting date have similar exposure.

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		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Denominated in:-						
United States Dollar	270,640	426,975	79,714	-	-	(530)
Australian Dollar	-	-	-	(1,147)	-	(1,698)
Brunei Dollar	1,832	3,078	11,807	-	-	-
Bahrain Dinar	10,944	24,718	33,555	-	-	-
Euro	-	-	15,839	-	-	-
Pound Sterling	-	-	-	-	(1,515)	-
Qatar Riyal	7,884	5,399	22,784	-	-	-
Singapore Dollar	-	1,221	-	-	-	-
Saudi Riyals	-	4,315	-	-	-	(1,555)
Arab Emirates Dollar	160,792	128,195	7,479	-	-	-
India Rupee	179	-	-	-	-	-
	452,271	593,901	171,177	(1,147)	(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.

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.

33. EVENTS DURING AND AFTER THE FINANCIAL YEAR

On 20th December 2012, the Company proposes to undertake the Proposed Private Placement, which entails the issuance of up to 26,706,000 new ordinary shares of RM0.10 each. The Board has on 9th January 2013 fixed the issue price for 17,252,000 placement shares at RM0.235 each.

34. CAPITAL COMMITMENT

	2012 RM	2011 RM
Approved but not contracted for property, plant and equipments	3,150,000	-

35. 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 2012 were as follows:

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total borrowings	3,364,473	4,795,138	4,359,967
Less : Cash and cash equivalents	(7,102,391)	(3,454,939)	(737,571)
Capital and net debts	(3,737,918)	1,340,199	3,622,396
Shareholders' funds	47,282,254	38,198,015	27,316,929
Gearing ratio	N/A	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 17 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 issued a directive to all listed issuers pursuant to Paragraphs 2.07 and 2.23 of the AMLR of Bursa Malaysia Securities Berhad. 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 Securities Berhad 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 2012 are as follows:-

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Realised	22,685,406	14,376,761	6,777,438	(5,289,507)	(4,558,913)	(3,553,260)
Unrealised	(1,015,148)	(408,676)	(1,094,086)	-	-	-
	21,670,258	13,968,085	5,683,352	(5,289,507)	(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 Securities Berhad and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

We, **DATO' DR PALANIAPPAN A/L RAMANATHAN CHETTIAR** and **LEOW NAN CHYE**, 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 37 to 98 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International 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 2012 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 99 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

LEOW NAN CHYE

Kuala Lumpur

Date: 30th April 2013

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 37 to 98 and the supplementary information set out on page 99 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 30th April 2013

Before me,

ARSHAD ABDULLAH (No.W550)
Commissioner for Oaths

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 2012 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 37 to 98.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and 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) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITY

The supplementary information set out on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

As stated in Note 2 to the financial statements, SMR Technologies Berhad adopted the Malaysian Financial Reporting Standards on 1st January 2012 with a transition date of 1st January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31st December 2011 and 1st January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31st December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31st December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1st January 2011 do not contain misstatements that materially affect the financial position as at 31st December 2012 and the financial performance and cash flows for the financial year then ended.

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

BAKER TILLY MONTEIRO HENG
No. AF 0117
Chartered Accountants

HENG JI KENG
No. 578/05/14(J/PH)
Chartered Accountant

Kuala Lumpur

Date: 30th April 2013

Location	Description	Tenure	Existing use	Built-up area	Age of Building (years)	Net Book Value as at 31.12.2012 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	7 years	3,569	2006

(Date of last revaluation : 22nd 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 22 on Page 82 to the financial Statements.

ANALYSIS OF SHAREHOLDINGS

AS AT 30TH APRIL 2013

SHAREHOLDINGS STRUCTURE

Authorised Share Capital	:	RM50,000,000.00
Issued and fully paid up capital	:	RM19,289,389
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	229	18.53	9,389	0.00
100 – 999	61	4.94	13,357	0.01
1,000 – 4,999	160	12.94	361,916	0.19
5,000 – 10,000	166	13.43	1,262,924	0.67
10,001 – 100,000	477	38.59	17,193,834	9.11
100,001 – 1,000,000	130	10.52	39,922,746	21.15
Over 1,000,000	13	1.05	130,018,123	68.87
TOTAL	**1,236**	**100.00**	**188,782,289**	**100.00**

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%
Dato' Dr Palaniappan A/L Ramanathan Chettiar	6,040,464	3.20	54,432,318	28.83 (1)
Tuan Haji Ishak Bin Hashim	441,110	0.23	-	-
Mr Leow Nan Chye	1,397,500	0.74	-	-
Mr 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	54,422,972	28.83
Fikir Wawasan Sdn Bhd	22,355,174	11.84
Goldleaf Pavilion Sdn Bhd	17,252,000	9.14
Destini Berhad	10,323,100	5.47

LIST OF TOP 30 SHAREHOLDERS

No.	Name & Address	No. Shareholdings	%
1	Special Flagship Holdings Sdn Bhd	54,422,972	28.83
2	Fikir Wawasan Sdn Bhd	22,355,174	11.84
3	Goldleaf Pavilion Sdn Bhd	17,252,000	9.14
4	Destini Berhad	10,323,100	5.47
5	Palaniappan A/L Ramanathan Chettiar	6,040,411	3.20
6	Detik Perkasa Sdn Bhd	5,666,000	3.00
7	Nazimah Binti Syed Majid	5,294,300	2.80
8	Teo Tiew	1,845,000	0.98
9	Ow Pung Hock	1,595,000	0.84
10	RHB Capital Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account for Jeganathan A/L K Murugasu (CEB)	1,500,000	0.79
11	Leow Nan Chye	1,397,500	0.74
12	Chhoa Kwang Hua	1,296,666	0.69
13	Tan Soo Sum	1,030,000	0.55
14	L Sundra Surian A/L N Lechumanan	966,400	0.51
15	HDM Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged Securities Account for Ong Beng Khoon (M02)	954,300	0.51
16	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary : CIMB Bank for Wong Ah Yong (MY1278)	900,000	0.48
17	Hasnan Bin Mohd Yunus	900,000	0.48
18	Foo Phui Foong	891,067	0.47
19	Wong Ah Yong	780,000	0.41
20	Lee Ah Yew	770,000	0.41
21	Ong Guat Kiow	712,800	0.38
22	Lee Cheow Sin	658,700	0.35
23	Ambank (M) Berhad Beneficiary : Pledged Securities Account for Wong Ah Yong (SMART)	658,000	0.35
24	Nadarajah A/L Manickam	640,000	0.34
25	Gan Chze Quang	590,000	0.31
26	Ong Wan Chin	560,000	0.30
27	Azmi Bin Abdul Jalil	555,000	0.29
28	Tan Beng Shang	535,000	0.28
29	Subramanian A/L Amamalay	523,433	0.28
30	Tan Yau King	523,400	0.28
	TOTAL	**142,136,223**	**75.30**

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of the Company will be held at Parkroyal Kuala Lumpur, 5th Floor, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 26th June 2013 at 9.30 a.m. for the following purposes :

AGENDA

ORDINARY BUSINESS :

1. To receive the Audited Financial Statements for the financial year ended 31st December 2012 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

2. To approve the payment of Directors' Fees for the financial year ended 31st December 2012. **Resolution 1**

3. To re-elect Dato' Dr Palaniappan A/L Ramanathan Chettiar who retires in accordance with Article 94 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 2**

4. 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 3**

5. 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 4**

SPECIAL BUSINESS :

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

6. **ORDINARY RESOLUTION** **Resolution 5**
AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"**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."

7. **ORDINARY RESOLUTION** **Resolution 6**
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**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 to Shareholders dated 4th June 2013 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."

8. **ORDINARY RESOLUTION** **Resolution 7**
PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE UP TO TEN PERCENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL

"**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 to Shareholders dated 4th June 2013.

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 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."

9. **SPECIAL RESOLUTION** **Resolution 8**
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"**THAT** the proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 4th June 2013 be and are hereby approved.

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary in order to implement, finalise and give full effect to the Proposed Amendments to the Articles of Association."

10. **SPECIAL RESOLUTION** **Resolution 9**
PROPOSED CHANGE OF NAME

"**THAT** the name of the Company shall be changed from "SMR Technologies Berhad" to "SMRT Holdings Berhad" with effect from the date of Certificate of Incorporation on Change of Name of Company to be issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association of the Company be amended accordingly, wherever the name of the Company appears ("Proposed Change of Name").

AND THAT the Board of Directors be and is hereby authorised with full power to make any modifications, variations and/or amendments in any manner as may be in the best interest of the Company or as may be required by the relevant authority/authorities to give effect to the Proposed Change of Name and to take all such steps as they may deem necessary or expedient in the best interest of the Company to implement, finalise and give full effect to the Proposed Change of Name."

ANY OTHER BUSINESS :

11. 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 : 4th June 2013

NOTES :

1. *Item 1 of the Notice is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements and hence, is not put forward for voting.*

2. *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.*

3. *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.*

4. *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.*

5. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *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.*

7. *In respect of deposited securities, only members whose names appear in the Record of Depositors as at 20th June 2013 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

EXPLANATORY NOTES ON SPECIAL BUSINESS :

1. *Ordinary Resolution 5 – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965*

   The proposed Ordinary Resolution 5 is intended to renew the authority granted to the Directors of the Company at the Eighth Annual General Meeting of the Company held on 7th June 2012 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 Eighth Annual General Meeting of the Company held on 7th June 2012 have been utilised via a private placement exercise which have been completed on 18th January 2013 where 17,252,000 new ordinary shares of RM0.10 each have been issued. The proceeds of RM4,054,220 raised from the private placement exercise had been utilised in the following manner :

	RM
Proceeds from Private Placements	*4,054,220*
Utilisations :	
Business Expansion Opportunities	*210,468*
Expenses for the Proposed Private Placement	*72,243*
Total	*282,711*

   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 6 – Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature*

   The proposed Ordinary Resolution 6 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 to Shareholders dated 4th June 2013 for further information.

3. *Ordinary Resolution 7 – Proposed Renewal of Authority for the Company to Purchase up to Ten Percent (10%) of its Issued and Paid-Up Share Capital*

   The proposed Ordinary Resolution 7 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 to Shareholders dated 4th June 2013 for further information.

4. *Special Resolution 8 – Proposed Amendments to the Articles of Association of the Company*

   The proposed Special Resolution 8 is intended to streamline the Articles of Association of the Company to be in line with the new/amended provisions of the Listing Requirements and at the same time to update the Articles of Association of the Company for consistency and clarity throughout.

   Please refer to the Circular to Shareholders dated 4th June 2013 for further information.

5. *Special Resolution 9 – Proposed Change of Name*

   The proposed Special Resolution 9 is intended to give a more appropriate and better reflection of the Company's intention to expand its business and scope of activities. The proposed change of name, if approved by the shareholders of the Company, will take effect from the date of issuance of the Certificate of Incorporation on Change of Name of Company by the Companies Commission of Malaysia.

   Please refer to the Circular to Shareholders dated 4th June 2013 for further information.

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

    1.1 Article 94 of the Company's Articles of Association :
    Dato' Dr Palaniappan A/L Ramanathan Chettiar

    1.2 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 10 and 11 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 31st December 2012 are disclosed in the Statement on Corporate Governance set out on page 20 of this Annual Report.

3. The details of the Ninth Annual General Meeting are as follows :

    Parkroyal Kuala Lumpur, 5th Floor, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 26th June 2013 at 9.30 a.m.

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 Ninth Annual General Meeting of the Company to be held at Parkroyal Kuala Lumpur, 5th Floor, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 26th June 2013 at 9.30 a.m. and at any adjournment thereof in the manner indicated below:

No	Resolutions		For	Against
ORDINARY BUSINESS				
1.	To approve the payment of Directors' Fees for the financial year ended 31st December 2012.	Resolution 1		
2.	To re-elect Dato' Dr Palaniappan A/L Ramanathan Chettiar who retires in accordance with Article 94 of the Company's Articles of Association and being eligible, offers himself for re-election.	Resolution 2		
3.	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 3		
4.	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 4		
SPECIAL BUSINESS				
5.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.	Resolution 5		
6.	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Resolution 6		
7.	Proposed Renewal of Authority for the Company to Purchase up to 10% of its Issued and Paid-Up Share Capital.	Resolution 7		
8.	Proposed Amendments to the Articles of Association of the Company.	Resolution 8		
9.	Proposed Change of Name.	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 Account 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. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *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.*
6. *In respect of deposited securities, only members whose names appear in the Record of Depositors as at 20th June 2013 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on *his/her behalf.*

**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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