Annual Report 2010

Powering Business Results Through Technology-Driven Integrated HRD Solutions
Powering Business Results Through Technology-Driven Integrated HRD Solutions
Powering Business Results Through Technology Driven-Integrated HRD Solutions
Powering Business Results Through Technology-Driven Intergated HRD Solutions
Powering Business Results Through Technology-Driven Integrated HRD Solutions

www.smrhrgroup.com

SMR Technologies Berhad (659523-T)
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Plaza Sentral, Jalan Stesen Sentral 5,
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www.smrhrgroup.com

SMR Technologies Berhad (659523-T)

Powering

Business Results Through Technology-Driven Integrated HRD Solutions

Annual Report 2010

OUR VISION

Be the partner-of-choice for organisations seeking to realise their employee potential.

OUR MISSION

To enable organisations, through creative learning approaches, high powered delivery and innovative use of technology, to help their people learn and perform beyond expectations.

OUR VALUES

- Customer delight
- Ownership
- Respect for individuals
- Innovation
- Lifelong learning

BOARD OF DIRECTORS

Dato' Dr R Palan
Chairman & Chief Executive Officer

Dr Nadarajah Manickam
(Dr Nat)
Executive Director

Tuan Haji Ishak Bin Hashim
Independent, Non-Executive Director

Leow Nan Chye
Independent, Non-Executive Director

Venkiteswaran Sankar
Independent, Non-Executive Director

KEY MANAGEMENT TEAM

1.	**Karen Ong**	Director, Talent & Events Operations
2.	**Jimmy Ong**	Chief Operating Officer/ Country Manager, Malaysia
3.	**A. Subramanian**	Director, International Operations
4.	**Muhammad Rizal**	Senior Manager, Quality Assurance
5.	**Azaath Samsudeen**	Senior Manager, Special Projects
6.	**Lily Zalina**	Senior Manager, English Language Training (ELT) Operations
7.	**Michael J Hughes**	Project Manager, English Language Training (ELT)
8.	**R. Muralidharan**	Chief Technology Officer/ Country Manager, India
9.	**Foo Phui Foong**	Manager, Finance
10.	**Annie Chew**	Executive Assistant, Chairman's Office

CONTENTS

FINANCIAL STATEMENTS

NOTICE OF SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Radius International Hotel, Kuala Lumpur, 51-A, Changkat Bukit Bintang, 50200 Kuala Lumpur on Thursday, 2 June 2011 at 9.30 a.m. to transact the following business :

AGENDA

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of Directors and Auditors thereon.	**Resolution 1**
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2010.	**Resolution 2**
3.	To re-elect Dr Palaniappan A/L Ramanathan Chettiar who retires in accordance with Article 90 of the Company's Articles of Association and being eligible, offers himself for re-election.	**Resolution 3**
4.	To re-elect Mr Venkiteswaran Sankar who retires in accordance with Article 90 of the Company's Articles of Association and being eligible, offers himself for re-election.	**Resolution 4**
5.	To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Resolution 5**

AS SPECIAL BUSINESS

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

6. **AUTHORITY TO ISSUE SHARES** — **Resolution 6**

"**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 shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be also empowered to obtain the approval for the listing and the quotation of the additional shares so issued on Bursa Malaysia Securities Berhad ("BMSB") and that such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** — **Resolution 7**

"**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 Section 2.3 (Part A) of the Circular to Shareholders dated 11 May 2011 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. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 8**

"**THAT** authority be and is hereby given pursuant to Paragraph 10.09 of Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Company and its subsidiaries ("Group") or any of them to enter into and give effect to the categories of recurrent related party transactions with those related parties as set out and described in Section 2.3 (Part A) of the Circular to Shareholders dated 11 May 2011 provided that such arrangements and/or transactions which are undertaken in the ordinary course of business, at arm's length and are on normal commercial terms and on prices and terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

AND THAT such authority shall commence immediately upon passing of this resolution and shall continue to be in force until :-

i) the conclusion of the next annual general meeting of the Company following the extraordinary general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions; or

ii) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

iii) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier,

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate."

9. **PROPOSED SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK** **Resolution 9**

"**THAT** subject to the Companies Act,1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the best interest of the Company and an amount not exceeding the retained profits and share premium reserves of the Company be allocated by the Company for the Proposed Share Buy-Back. The retained profits and share premium reserves of the Company stood at RM5,683,352.00 and RM5,061,195.00 respectively for the financial year ended 31 December 2010.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until :

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

To consider and, if thought fit, to pass the following Special Resolution :

10. **ADOPTION OF NEW ARTICLES OF ASSOCIATION** **Resolution 10**

"**THAT** the Articles of Association as set out in Appendix II be and is hereby approved and adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company."

11. To transact any other business of which due notice has 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 NO : 7018778)
YIP SIEW CHENG (MAICSA NO : 7006780)
Company Secretaries

Kuala Lumpur
11 May 2011

NOTES :

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies 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 shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorized.*

4. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, 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 forty-eight (48) hours before the time appointed for holding the Meeting or any adjourned meeting, as the case may be.*

EXPLANATORY NOTES ON SPECIAL BUSINESS :

(a) Ordinary Resolution 6 – Authority to Issue Shares

The Ordinary Resolution 6 proposed under item No. 6, if passed, will authorise the Directors of the Company to issue shares up to a maximum ten per cent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

The renewal of the mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Up to the date of this notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the last Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

(b) Ordinary Resolution 7 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 7 proposed under item No. 7 is to obtain the Proposed Shareholders' Mandate for Related Party Transactions as set out in Section 2.3 (Part A) of the Circular to Shareholders of the Company dated 11 May 2011. The Proposed Shareholders' Mandate will enable the Company and its subsidiaries to enter into any of the recurrent transactions of a revenue or trading nature which are necessary for the Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are 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.

(c) Ordinary Resolution 8 – Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 8 proposed under item No. 8 is a new Shareholders' Mandate to be granted by the shareholders to the Company. The Proposed Shareholders' Mandate, if passed, will enable the Group to enter into the specified Recurrent Related Party Transactions of a Revenue or Trading Nature as set out in Section 2.3 (Part A) of the Circular to Shareholders dated 11 May 2011 with the specified classes of the Related Parties mentioned therein which are necessary for the Group's day-to-day operations.

(d) Ordinary Resolution 9 – Proposed Shareholders' Mandate for Share Buy-Back

The Ordinary Resolution 9 proposed under item No. 9 is to seek the authority for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad. For further information on the Proposed Shareholders' Mandate for Share Buy-Back, please refer to Part B of the Circular to Shareholders dated 11 May 2011 enclosed together with the Company's 2010 Annual Report.

(e) Special Resolution 10 – Adoption of New Articles of Association

The Special Resolution 10 proposed under item No. 10, if passed, will render the Articles of Association of the Company to be in line with the current provisions of the Listing Requirements of Bursa Malaysia Securities Berhad. The details of the Adoption of New Articles of Association are set out in Appendix II (Part C) of the Circular to Shareholders dated 11 May 2011.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Rule 8.29(2) of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market

The Directors who are standing for re-election at the Seventh Annual General Meeting of the Company pursuant to the Articles of Association of the Company are :

1. Dato' Dr Palaniappan A/L Ramanathan Chettiar (Article 90)
2. Mr Venkiteswaran Sankar (Article 90)

The details of the above Directors seeking re-election are set out in the Directors' Profile as disclosed from page 11 to 14 of this Annual Report.

The securities holdings of Dato' Dr Palaniappan A/L Ramanathan Chettiar in the Company are set out in the Analysis of Shareholdings as disclosed from page 99 to 100 of this Annual Report. Mr Venkiteswaran Sankar does not have any interests in the securities of the Company or its subsidiaries.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Leow Nan Chye
Independent Non-Executive Director

Venkiteswaran Sankar
Independent Non-Executive Director

AUDIT COMMITTEE

Leow Nan Chye
Chairman & Senior Independent Non-Executive Director

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Venkiteswaran Sankar
Independent Non-Executive Director

NOMINATION COMMITTEE

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

Leow Nan Chye
Independent Non-Executive Director

REMUNERATION COMMITTEE

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

Leow Nan Chye
Independent Non-Executive Director

Dr Nadarajah A/L Manickam
Executive Director

AUDITORS

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

COMPANY SECRETARIES

Wong Youn Kim (MAICSA 7018778)
Yip Siew Cheng (MAICSA 7006780)
HMC Corporate Services Sdn Bhd
22-2, Monteiro & Heng Chambers
Jalan Tun Sambanthan 3
50470 Kuala Lumpur

REGISTERED & CORPORATE OFFICE

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

PRINCIPAL BANKERS

Malayan Banking Berhad
AmBank (M) Berhad

SOLICITOR

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

REGISTRAR

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
ACE Market

Stock name : SMRTECH
Stock code : 0117

CORPORATE WEBSITE

www.smrhrgroup.com

GROUP CORPORATE STRUCTURE

SMR Technologies Berhad

- **SMR HR Technologies Sdn. Bhd.** 100%
  (Co. No. 537793-T)
- **SMR HR Services Sdn. Bhd.** 100%
  (Co. No. 751839-P)
- **SMR Services Sdn. Bhd.** 100%
  (Co. No. 790178-K)
- **SMR HR Singapore Pte. Ltd.** 100%
  (1999903291Z)
- **SMR HR Group Sdn. Bhd.** 100%
  (Co. No. 177552-M)
  - **SMRHR (B) Sdn. Bhd.** 30%
    (Co. No. AGO/RC/6337)
- **Agensi Pekerjaan SMR Talent Search Sdn. Bhd.** 100%
  (Co. No. 880494-K)
- **SMR Gulf W.L.L.** 99%
  (Co. No. 70535)

BUSINESS OBJECTIVE

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

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

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

(iii) to provide an integrated HRD service with executive search, training and learning resources.

PRODUCTS AND SERVICES

Technology-Driven Integrated HRD Solutions

1. Learning & Development

- 1.1 Train-the-Trainer Practice
- 1.2 Competency & Performance Practice
- 1.3 Leadership Practice
- 1.4 Personal Growth Practice

2. Learning Resources

- 2.1 Print Products
- 2.2 Digital Products
- 2.3 Training Tools
- 2.4 Audio / Visual Products

3. Consulting

- 3.1 Human Capital Audit
- 3.2 Competency Management
- 3.3 Competency Profiling
- 3.4 Competency Assessments
- 3.5 Talent Management & Succession Planning
- 3.6 Learning & Development Management
- 3.7 Learning Needs Analysis
- 3.8 Curriculum Design
- 3.9 Evaluation of Training
- 3.10 Performance Management System (PMS)

4. Outsourcing

- 4.1 Learning and Development Services
- 4.2 Competency Management
- 4.3 Competency Assessments

5. Events

- 5.1 The Asia HRDCongress™
- 5.2 Trainers Meet Trainers® (TMT)
- 5.3 HR / HRD Conferences: Asia HR Bazaar

6. Talent Search

- 6.1 Search, Selection & Placement

7. Special Projects

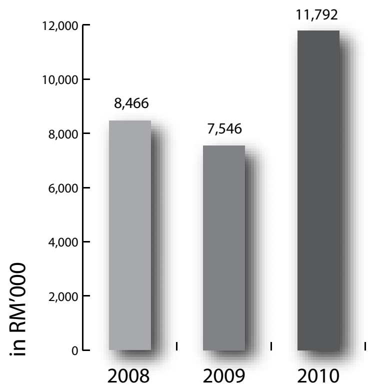
- 7.1 English Language Training (ELT)

8. Software & Technical Services

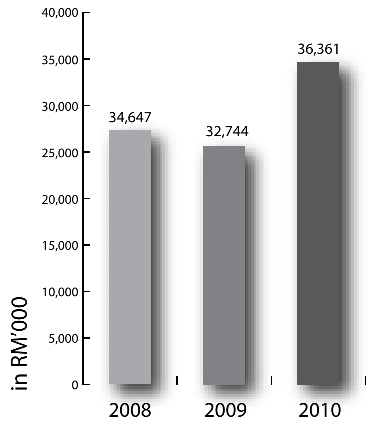
- 8.1 HRDPower.net Enterprise System
  - ➢ Employee Management
  - ➢ Hiring Power
  - ➢ EMPower (Competency)
  - ➢ Learning Power.Net® (Training)
  - ➢ Performance Power
  - ➢ Payroll Power
  - ➢ Success Power
- 8.2 Software as a Service (SAAS)
  - ➢ E-Appraisal
  - ➢ E-TMS
  - ➢ E-Assessment
- 8.3 HRDPower E-Learning
  - ➢ E-CTP
- 8.4 HRDPower Games Combo
  - ➢ Pingo
  - ➢ Management Made Easy
  - ➢ Magic of Making Training Fun
- 8.5 WEB Portal / E-Commerce Products

GROUP FINANCIAL SUMMARY

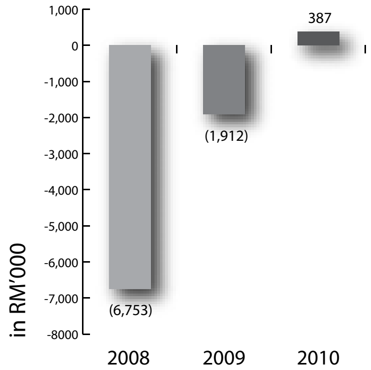
	2008 RM'000	2009 RM'000	2010 RM'000
COMPREHENSIVE INCOME			
Revenue	8,466	7,546	11,792
Profit/(Loss) before tax	(6,753)	(1,912)	387
Profit/(Loss) after tax	(7,224)	(2,524)	136
Profit/(Loss) attributable to equity holders of the Company	(7,304)	(2,730)	278
FINANCIAL POSITIONS			
Issued and paid up Capital	13,333	13,333	14,667
Shareholders' Fund	28,352	25,631	27,317
Total Assets	34,647	32,744	36,361
RATIOS			
Net Earnings per share (sen)	(6.87)	(1.89)	0.19
Net Assets per share (sen)	21.3	19.22	18.63



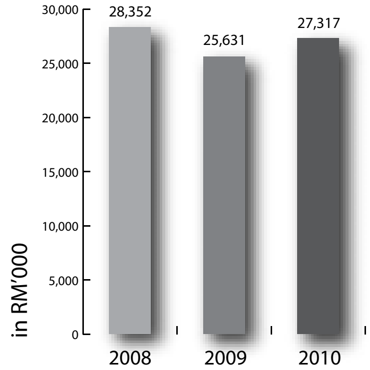
Revenue



Total Assets



Profit/(Loss) before tax



Shareholders' Fund

Dato' Dr R Palan
B.Sc., M.A., Ph.D., A.P.T., FBILD (UK), J.B.K. (Kuching), D.P.M.P. (Perak)
Chairman & CEO

Dato' Dr R Palan, a Malaysian, aged 55, Chairman and Chief Executive Officer of SMR Technologies Berhad is the Founder of the Group. He was appointed to the Board on 13 August 2004.

Dato' Dr R Palan, the brand ambassador for the group is recognised internationally for his HRD expertise. A prolific author, he has authored over 12 books in the HRD field. The proprietary PAGE framework and a host of other intellectual property have been created by him for the group. Dato' Dr R Palan has a strong IT and business orientation and he pioneered the development of the Group's flagship product: HRDPower™ software system.

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

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

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

Dato' Dr R Palan attended all the four Board meetings held during the financial year ended 31 December 2010. He has no directorship in other public company. He has no family relationship with any Director. He is a substantial shareholder and Director in Special Flagship Holdings Sdn Bhd who is a substantial shareholder of the Company. Other than those disclosed in Note 11 on Page 30 (Recurrent Related Party Transactions of a revenue or trading nature) of this Annual Report, he has no conflict of interest with the Company. He has never been charged for any offence (other than traffic offences, if any) within the past 10 years. Details of his shareholdings in the Company are shown in the "Analysis of Shareholdings" section of this Annual Report.

DR NADARAJAH MANICKAM
Executive Director

DR NADARAJAH MANICKAM, a Malaysian, aged 57 is the Executive Director and Technical Director of SMR Technologies Berhad and was appointed to the Board on 17 December 2004. Dr Nat has a B.Sc. from the Madras University, India and a MA and Ph.D. from the Jawaharlal Nehru University (JNU), New Delhi, India. He has also attended a communication training programme at the Communication Foundation of Asia (CFA), Manila in 1983. He has been an awardee of research fellowships from the University Grants Commission (UGC), India and the Nippon Foundation, Japan. Among his key interest areas is the social impact and use of new technologies for human resources development.

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

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

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

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

He attended all the four Board meetings held during the financial year ended 31 December 2010. Dr Nat has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and never been charged for any offence (other than traffic offences, if any) within the past 10 years. Details of his shareholdings in the Company are shown in the "Analysis of shareholdings" section of this Annual Report.

HAJI ISHAK BIN HASHIM
Independent Non-Executive Director

HAJI ISHAK BIN HASHIM, a Malaysian, aged 69, an Independent Non-Executive Director, was appointed to the Board of SMR Technologies Berhad on 5 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 HRD and administrative positions in several public listed companies such as Malaysian Tobacco Company Ltd, Malayan Banking Berhad, Tractors Malaysia Berhad, Boustead Holdings Berhad, Iris Berhad and Affin Bank Berhad.

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

With his valuable experience and exposure to high level management processes, 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.

He attended two out of four Board meetings held during the financial year ended 31 December 2010. He has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence (other than traffic offences, if any) within the past 10 years. Details of his shareholdings in the Company are shown in the "Analysis of shareholdings" section of this Annual Report.

LEOW NAN CHYE
Independent Non-Executive Director

LEOW NAN CHYE, a Malaysian, aged 53, an Independent Non-Executive Director, was appointed to the Board of SMR Technologies Berhad on 5 October 2005. Mr Leow is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

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

He attended all the four Board meetings held during the financial year 31 December 2010. He has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence (other than traffic offences, if any) within the past 10 years.

VENKITESWARAN SANKAR
Independent Non-Executive Director

VENKITESWARAN SANKAR, a Malaysian, aged 64, is an Independent Non-Executive Director and was appointed to the Board of SMR Technologies Berhad on 2 May 2008. Mr Venkiteswaran is a member of Audit Committee of the Company.

Mr Venkiteswaran is a Chartered Accountant running his own practice at Kuala Lumpur. He completed his CPA (Professional Studies for Malaysian Institute of Certified Public Accountants (MICPA)) in 1970 and became a member of the Malaysian Institute of Accountants (MIA) in 1974. Mr Venkiteswaran has been very active in professional circles and work in the past having at various times been a Council member of the MICPA, the MIA and the Chartered Taxation Institute of Malaysia (CtiM).

Prior to practicing on his own since 1995, Mr Venkiteswaran has served in various Senior Management positions at Price Waterhouse Coopers, Datuk Keramat Holdings Berhad, Hals & Associates (Public Accountants) and Kumpulan SRS.

With over 20 years experience in various companies in construction, trading, property development, manufacturing & investment holding, Mr Venkiteswaran will be able to contribute in the areas of corporate governance, audit and taxation within the SMR Technologies Berhad group of companies.

He attended all the four Board meetings held during the financial year ended 31 December 2010. He has no directorships in any other public company in Malaysia. He has no family relationship with any Director and/or major shareholder of SMRT, no conflict of interest with SMRT and has never been charged for any offence (other than traffic offences, if any) within the past 10 years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Financial Statements of SMR Technologies Berhad ("SMRTECH") for the financial year ended 31 December 2010.

PERFORMANCE REVIEW

For the financial year ended ("FYE") 31 December 2010, the Group's recorded a revenue of RM11.79 million representing an increase of approximately 56.28% from RM7.55 million recorded in the previous financial year.

The Group posted a net profit for the year of RM0.14 million increased compared with the previous year's net loss of RM2.52 million in FYE 2009.

This is significant turnaround for the group given the losses over the past two years. The efforts to restructure, rationalise and review the operations over the entire year in 2009 have led to positive results. In 2009, the group achieved the ISO 9001:2008 certification and implemented a project management and customer relations management systems. The Group will continue to remain focused in creating value for shareholders.

PROSPECT & OUTLOOK

While the Group continued to focus on buoyant economies in the Middle East, particularly the GCC Countries: Bahrain, U.A.E., Qatar, Saudi Arabia and Sudan in North Africa, Malaysia remained as a principal market given the several new initiatives announced by the government to develop a high income economy. The Economic Transformation programme and the Government Transformation programme are expected to focus on creating a talented workforce. The demand for talent is expected to result in a demand for the Group's solutions.

We have maintained lean operations through a partner network rather than our own offices in overseas locations. This has been the learning from the past experiences such as the disposal the US subsidiary in order to manage the losses there. We have also ensured we are not too dependent on any one country or one product to ensure we are not caught by unexpected events beyond our control.

We have commercialised most of our products. The focus is on optimising the value from R & D rather than investing any further except when it has been absolutely essential.

The company is always scanning the environment for opportunities. We have looked at the Malaysian and the Middle East opportunities and the market potential in emerging countries like India and Indonesia. The last year saw us engaged in several projects. The efficient management of projects was made possible because of the project management and the quality culture created in 2009.

The year 2010 was a significant one for the Group as we secured several large projects with the Ministry of Education, Government of Malaysia; Ministry of Works, Bahrain; Qatar Foundation; Ministry of Interior (Abu Dhabi Police); Petro Rabigh, Saudi Arabia; Petrodar, Sudan; AGFund, Saudi Arabia, Authority for Information & Technology, Brunei; There were numerous other projects both local and overseas with the private sector too.

With the demand for talent on the rise, the Group is totally confident of the demand for its solutions. As Asia's one stop technology based HRD solutions provider, the Group is confident of the demand for its solutions and the Group's profitability in the future,

SMR Gulf WLL, the subsidiary of SMR HR Technologies Sdn. Bhd. has in 2010 increased its paid up capital and equity interest from 49% to 99%. The former local partner exited and a new local partner has one percent equity now. Recently, an internal restructure resulted in SMRT owning it 99% of SMR Gulf WLL. With positive demand in Middle East countries, the Group expects Middle East operations to continue to contribute positively towards its results for year 2011.

With the growing demand for our solutions, the Group expects its financial performance to be positive. Barring any unforeseen circumstances, the Group expects to perform better in 2011.

INDUSTRY TRENDS & DEVELOPMENTS

With the continuing talent challenges faced by organisations, there have been several private and public sector initiatives to ensure maximum employment and competitiveness. There is no longer any doubt that it is talent that adds value to an organisation.

R & D EXPENSES

For the FYE 2010, the R&D expenses was at RM680, 930 capitalised to Development Cost. Most of the products have been commercialised in this year and only 4 more products are at commercialisation stage.

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

CORPORATE DEVELOPMENT

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

11 January 2010	SMR Learning and Development Sdn. Bhd., a subsidiary of SMRTECH changed its company name to SMR HR Group Sdn. Bhd.
12 April 2010	The Company completed the disposal of 100% equity interest in SMR USA Inc comprising 1,000 ordinary shares of USD1.00 each to Mr Murugappan Kalaimani for a total cash consideration of USD1.00. The disposal resulted in SMR USA ceasing to be a wholly-owned subsidiary of the Company.
3rd May 2010	The Company proposed to establish and implement an employees' share option scheme ("ESOS") of up to 20% of the issued and paid-up capital of the Company at any point in time, for eligible employees of the Company and/or its subsidiaries. On 21st May 2010, Bursa Securities had vide its letter dated 20th May 2010 given its approval for the listing of such number of additional new ordinary shares of RM0.10 each, representing up to 20% of the issued and paid-up ordinary share capital of SMRT.
5 May 2010	The Company acquired the remaining 25,000 ordinary shares of RM1.00 each in SMR HR Group Sdn Bhd representing approximately 0.92% of the total issued and paid-up share capital of SMR HRG, for a cash consideration of RM25, 000 from Business Management Systems (WA) Pty Ltd, a company incorporated in Australia. The acquisition resulted in SMR HRG becoming a wholly-owned subsidiary of the Company.
13 July 2010	SMR Gulf WLL increased its paid-up capital from Bahrain Dinars ("BD") 20,000 to BD 50,000 by capitalising the debts owing to its shareholders, namely SMR HRT and Tatweer Management Systems WLL ("Tatweer").
19 July 2010	SMR HRT acquired 250 shares of BD1.00 (equivalent to RM8.63) each, representing 50% of the total issued and paid-up share capital of SMR Gulf from Tatweer for a total cash consideration of BD250. The acquisition resulted in SMR Gulf being a 99%-owned subsidiary of SMR HRT.
30 July 2010	SMR HRT entered into a contract for the provision of consultancy service for the development of Technical Career Ladder & Competency Assessment System to Petrodar Operating Company ("PDOC") using HRDPower software in Khartoum, Sudan. The Contract Sum is US Dollar 128,400.00.
6 August 2010	SMR HRT awarded and accepted a Letter of Award from Authority For Info-Communications Technology Industry Of Brunei Darussalam (AITI) for the supply, delivery, installation, configuration, commission and provision of warranty and maintenance of AITI's HRMS in Brunei Darussalam for a software customisation project. The Contract Sum is Brunei Dollar 130,200.00.
19 August 2010	SMR Gulf W.L.L. awarded and duly accepted the Letter of Award from the Ministry of Works of the Government of the Kingdom of Bahrain for the implementation of the Succession Management System. The Contract Sum is Bahrain Dinars 98,250.00.

CORPORATE DEVELOPMENT *cont'd*

The following are some of the major corporate developments during the year: *cont'd*

22 September 2010	SMR HR Group Sdn Bhd awarded a 3 years contract by the Ministry Of Education (MOE) for direct recruitment and management of English Language Teaching Consultants and implementation of In-Service Teachers Training for English Language Teachers in primary schools under the MOE as a Teaching English as a Second Language Teacher Capacity Enhancement Project. The Contract sum is approximately RM89,500,000-00.

APPRECIATION

On behalf of the Board, I would like to:

- Thank all our business partners, valuable customers, suppliers, bankers, government agencies and regulatory authorities for the continued support and confidence.

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

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 in this challenging economic environment.

Dato' Dr R Palan Ph.D., A. P.T., FBILD (UK), J.B.K. (Kuching), D.P.M.P. (Perak)
Chairman & CEO

AUDIT COMMITTEE REPORT

MEMBERS

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

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

Mr Venkiteswaran Sankar
Member/Independent Non-Executive Director

TERMS OF REFERENCE

Membership

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

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

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

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

Objectives

The AC shall :

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

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

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

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

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

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;

TERMS OF REFERENCE *cont'd*

Functions *cont'd*

The AC shall, amongst others, discharge the following functions:- *cont'd*

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

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

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

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

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

Authority

The AC is authorised by the Board to:

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

Meetings

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

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

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

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

TERMS OF REFERENCE *cont'd*

Meetings *cont'd*

The AC met four (4) times during the financial year ended 31 December 2010 and the records of attendance of the AC members are set out below:

Members	Number of meetings attended during the tenure as member
Mr Leow Nan Chye	4/4
Tuan Haji Ishak Bin Hashim	2/4
Mr Venkiteswaran Sankar	4/4

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 2010 audit plan, scope of audit, audit time-table with the external auditors;

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

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

4. Reviewed the external auditors' Audit Review Memorandum for the financial year ended 31 December 2010;

5. Reviewed the Group's related party transactions;

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

7. Reviewed the Statement of Internal Control.

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

STATEMENT ON CORPORATE GOVERNANCE

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

DIRECTORS

Responsibilities

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

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

Board Balance

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

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

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

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

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

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

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

Board Meetings

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

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

DIRECTORS *cont'd*

Board Meetings *cont'd*

Details of the Directors' attendance at meetings during the financial year 2010 are as follows:

Board Meetings Attended During Tenure in Office		
Dato' Dr R Palan	*Chairman & Chief Executive Officer*	4/4
Dr Nadarajah Manickam	*Executive Director*	4/4
Tuan Haji Ishak Bin Hashim	*Independent Non-Executive Director*	2/4
Mr Leow Nan Chye	*Independent Non-Executive Director*	4/4
Mr Venkisteswaran Sankar	*Independent Non-Executive Director*	4/4

Supply of Information

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

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

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

Appointment and Re-Election of Directors

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

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

Directors' Training

All Directors have completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities. During the financial year ended 31 December 2010, the Directors attended various courses, conferences and seminars to further enhance their skills and knowledge. Directors' education also covers briefings given by the various parties including Internal Auditors, External Auditors and Company Secretary on the relevant updates relating to regulatory and statutory requirements from time to time during the Audit Committee and Board meetings.

BOARD COMMITTEES

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

BOARD COMMITTEES *cont'd*

Audit Committee

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

Nomination Committee

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

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

1. Objectives

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

2. Composition of Members

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

3. Chairman

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

4. Meetings

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

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

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

5. Quorum

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

6. Authority

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

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

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

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

BOARD COMMITTEES *cont'd*

Nomination Committee *cont'd*

7. Duties and Responsibilities

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

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

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

The NC held one (1) meeting during the financial year ended 31 December 2010, which was attended by all members.

Remuneration Committee

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

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

1. Objectives

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

2. Composition of members

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

3. Chairman

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

4. Meetings

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

BOARD COMMITTEES *cont'd*

Remuneration Committee *cont'd*

4. Meetings *cont'd*

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

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

5. Quorum

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

6. Authority

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

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

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

7. Duties and Responsibilities

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

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

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

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

The RC held one (1) meeting during the financial year ended 31 December 2010, which was attended by all members.

DIRECTORS' REMUNERATION

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

DIRECTORS' REMUNERATION *cont'd*

An analysis of the aggregate Directors' remuneration paid for Directors of the Company for the year ended 31 December 2010 is set out below:

Name of Director	Salary & Allowance RM'000	Directors' Fees RM'000	Attendance Fees RM'000	Contribution to Provident Fund RM'000	Total RM'000
Executive					
Dato' Dr R Palan	300	-	8	29	337
Dr Nadarajah A/L Manickam	120	-	3	12	135
Non-Executive					
Tuan Haji Ishak Bin Hashim	-	24	3	-	27
Mr Leow Nan Chye	-	24	7	-	31
Mr Venkiteswaran Sankar	-	24	5	-	29

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

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

Remuneration band	Number of Directors Executive	Number of Directors Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-
RM300,001 – RM350,000	1	-

SHAREHOLDERS

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

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

Relationship with the External Auditors

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

Internal Controls

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

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

Statement of Compliance with Best Practices

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

STATEMENT OF DIRECTORS' RESPONSIBILITY
in respect of the Audited Financial Statements

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

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

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

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

OTHER COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

As at 31 December 2010, the proceeds raised from the Private Placement completed on 23 February 2010 has been fully utilise as follows:-

Details of Utilisation	Proposed utilisation RM	Actual utilisation RM
Working capital	1,278,333	1,278,333
Estimated expenses for the Proposed Private Placement	55,000	55,000
Total	1,333,333	1,333,333

2. SHARE BUY-BACK

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

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

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

5. IMPOSITION OF SANCTIONS/PENALTIES

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

6. NON-AUDIT FEE

During the financial year under review, non-audit fees paid to Messrs Baker Tilly Monteiro Heng by the Group amounted to approximately RM8,567.

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 30 (Recurrent Related Party Transactions of a revenue or trading nature) and in Note 31 on Page 84 (Significant Related Party Transactions) in this Annual Report, there were no material contract entered into by the Company and its subsidiaries involving the interest of the Company's Directors and/or major shareholders.

10. REVALUATION POLICY

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

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

On 2 June 2010, the Company had obtained shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of revenue or trading nature ("RRPT") with related parties. The aggregate value of Recurrent Transactions entered into by the Group during the financial year was as follows:

Companies in SMR Tech Group involved in the RRPT	Related Party	Transactions	Interested Related Parties	Transacted values for the financial year RM'000
SMR HR Technologies Sdn Bhd ("SMR HRT")	Dato' Dr R Palan ("DRP")	Payment of rental for office space to Related Party	DRP [1]	102
SMR HR Technologies Sdn Bhd ("SMR HRT")	Asia HRT Ltd ("AHRTL")	Provision of software development support and related services by Related Party	DRP [2]	375

Notes:

(1) *DRP is a major shareholder and Director of SMR Tech Bhd. He is also a Director of SMR HRT.*

(2) *DRP is a major shareholder and Director of the SMR Tech Bhd. He is a Director of SMR HRT and is also a major shareholder of AHRTL.*

12. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

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

Workplace

The Group is determined to develop its talents to encourage and maintain optimal performance levels. We constantly provide in-house, external as well as on-the-job talent development and training programmes based on an annual training needs analysis to broaden our employee's intellectual horizon and skills set in order to achieve and maintain a competitive edge for the Group. The areas covered in 2010 were technical, IT, financial reporting & regulatory framework, sales, quality management system, project management,competency profiling and consulting technique, motivation, investor relations.

We have continually rewarded and recognised employees for their outstanding efforts and performance during the year. The Group has introduced such new initiatives as, "Staff of the Quarter" to recognise and honour employee for all-round outstanding services and personal contribution to realise the Group's strategic direction. We also recognise staff for outstanding performance in management of projects for our customers.

Employees continue to receive benefit such as medical care, Personal Accident Insurance and Medical Plan.

Events are organised by the Sports, Recreation & Caring Committee to promote and encourage greater interaction and camaraderie amongst staff, such as sports activities, birthday celebrations and lunches, movie days, staff gift exchange, fund raising for staff in need of assistance and staff's annual dinner. Where possible we help those going through family tragedies.

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

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

Environment

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

Community

The Group remains committed to contribute to the society. We have been providing industrial training and internship opportunities to students of colleges and universities and financial support to charities and educational institutions by making donations for worthy causes.

In the year 2010, the Group organised a book donation compaign "A Book for a Child" during Trainer Meet Trainer (TMT)/Asia HRDCongress events. This is now an annual affair. The Group also joined as volunteer in " I Can Change The World" (ICCTW) tour. The aim of the tour is to inspire the handicapped and disabled children to ignite hope, love and encouragement for them to be more confident despite their condition and make them feel there are people who care for them.

Marketplace

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

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

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

STATEMENT ON INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound system of internal control and the need to review its adequacy and integrity on a regular basis. The system of internal control is meant to effectively manage business risk towards achievement of business objectives so as to enhance the value of shareholders' investments and to safeguard the Group's assets.

The Board 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, provides reasonable assurance regarding the achievement of the Group's objectives in ensuring efficiency and effectiveness of operations, reliability and transparency of financial information and compliance with laws and regulations.

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

- The Group has its Board Committees and Management team to assist the Board in discharging its responsibilities. These 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 that internal controls are in place to 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 processes 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 Unit to improve project management efficiency.

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

- Annual audit conducted by qualified external 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.

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.

INTERNAL AUDIT FUNCTION *cont'd*

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

Follow-up visits were also carried out to ensure weaknesses identified have been or are being addressed. Periodic audit reports and status report on follow up actions were tabled to the Audit Committee during its quarterly meetings. For the financial year ended 31 December 2010, the total costs incurred for the outsourced internal audit function is RM25,473 inclusive of reimbursable expenses and service tax.

CONCLUSION

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

REVIEW BY EXTERNAL AUDITORS

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

DIRECTORS' REPORT

The directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2010.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
CONTINUING OPERATIONS		
Profit/(loss) for the financial year	136,490	(931,399)
Other comprehensive income	40,866	-
Total comprehensive income/(loss) for the financial year	177,356	(931,399)
Profit/(loss) attributable to:		
Equity holders of the Company	278,227	(931,399)
Minority interest	(141,737)	-
	136,490	(931,399)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	319,093	(931,399)
Minority interest	(141,737)	-
	177,356	(931,399)

DIVIDENDS

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2010.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

BAD AND DOUBTFUL DEBTS *cont'd*

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

CURRENT ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

VALUATION METHODS

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

On 23rd February 2010, the Company increased its issued and paid up share capital to RM14,666,666/- by way of private placement of 13,333,333 ordinary shares of RM0.10 each, and for working capital purpose.

DIRECTORS

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

Palaniappan A/L Ramanathan Chettiar
Nadarajah A/L Manickam
Leow Nan Chye
Ishak Bin Hashim
Venkiteswaran Sankar

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2010 are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
The Company				
SMR Technologies Berhad				
Palaniappan A/L Ramanathan Chettiar	4,000,464	-	-	4,000,464
Nadarajah A/L Manickam	40,000	-	-	40,000
Leow Nan Chye	-	374,000	-	374,000
Ishak Bin Hashim	13,333	-	-	13,333

By virtue of their interests in shares in the Company, Palaniappan A/L Ramanathan Chettiar, Nadarajah A/L Manickam, Ishak Bin Hashim and Leow Nan Chye 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.

AUDITORS

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

On behalf of the Board,

PALANIAPPAN A/L RAMANATHAN CHETTIAR
Director

NADARAJAH A/L MANICKAM
Director

Kuala Lumpur
Date: 20th April 2011

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	5,499,558	7,044,040	-	-
Investment in subsidiaries	5	-	-	14,162,657	14,137,657
Investment in an associate	6	-	-	-	-
Goodwill on consolidation	7	6,663,251	6,663,251	-	-
Intangible assets	8	883	10,096	-	-
Development costs	9	16,408,284	16,698,064	-	-
		28,571,976	30,415,451	14,162,657	14,137,657
Current assets					
Inventories	10	47,196	65,018	-	-
Trade and other receivables	11	7,004,239	778,273	1,480	1,250
Amount due by subsidiaries	12	-	-	5,559,433	4,793,287
Tax recoverable		-	96,607	-	-
Deposits placed with licensed banks	13	667,802	360,068	-	-
Cash and bank balances	14	69,769	798,232	130	11,099
		7,789,006	2,098,198	5,561,043	4,805,636
Assets classified as held for sale	15	-	230,381	-	3,525
		7,789,006	2,328,579	5,561,043	4,809,161
TOTAL ASSETS		36,360,982	32,744,030	19,723,700	18,946,818
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	16	14,666,666	13,333,333	14,666,666	13,333,333
Share premium	17	5,061,195	5,061,195	5,061,195	5,061,195
Revaluation reserve	18	1,825,293	1,862,544	-	-
Foreign currency translation reserve	19	53,370	(24,747)	-	-
Legal reserve	20	27,053	-	-	-
Retained profits/(accumulated losses)		5,683,352	5,394,927	(3,553,260)	(2,621,861)
Amount recognised directly in equity relating to assets classified as held for sale	15	-	3,460	-	-
		27,316,929	25,630,712	16,174,601	15,772,667
Minority interest		4,513	29,758	-	-
Total Equity		27,321,442	25,660,470	16,174,601	15,772,667

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2010
cont'd

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Non-current liabilities					
Hire purchase payables	21	66,569	107,883	-	-
Deferred tax liabilities	22	134,086	66,774	-	-
		200,655	174,657	-	-
Current liabilities					
Trade and other payables	23	4,301,006	4,163,100	2,628,820	2,657,592
Hire purchase payables	21	74,041	64,359	-	-
Bank overdrafts - secured	24	4,219,357	2,456,113	-	-
Tax payables		244,481	-	-	-
Amount due to subsidiaries	12	-	-	920,279	516,559
		8,838,885	6,683,572	3,549,099	3,174,151
Liabilities directly associated with assets classified as held for sale	15	-	225,331	-	-
		8,838,885	6,908,903	3,549,099	3,174,151
Total liabilities		9,039,540	7,083,560	3,549,099	3,174,151
TOTAL EQUITY AND LIABILITIES		36,360,982	32,744,030	19,723,700	18,946,818

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
CONTINUING OPERATIONS					
Revenue	25	11,792,471	7,545,759	-	59,814
Cost of sales		(3,986,127)	(2,447,734)	-	-
GROSS PROFIT		7,806,344	5,098,025	-	59,814
Other income		850,411	70,670	3,563	-
Administrative expenses		(8,082,376)	(7,250,382)	(934,071)	(1,620,286)
Negative goodwill arising from acquisition of a subsidiary		-	369,588	-	-
OPERATING PROFIT/(LOSS)	26	574,379	(1,712,099)	(930,508)	(1,560,472)
Finance costs	27	(187,050)	(199,591)	-	-
PROFIT/(LOSS) BEFORE TAXATION		387,329	(1,911,690)	(930,508)	(1,560,472)
Taxation	28	(250,839)	(192,816)	(891)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS		136,490	(2,104,506)	(931,399)	(1,560,472)
DISCONTINUED OPERATIONS					
Loss before taxation from discontinued operations		-	(419,755)	-	-
LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS		-	(419,755)	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		136,490	(2,524,261)	(931,399)	(1,560,472)
Other Comprehensive Income:					
- amortisation of revaluation reserve (Note 18)		(37,251)	(38,011)	-	-
- foreign currency translation		78,117	8,040	-	-
		40,866	(29,971)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		177,356	(2,554,232)	(931,399)	(1,560,472)
Profit/(loss) attributable to:					
Equity holders of Company		278,227	(2,729,705)	(931,399)	(1,560,472)
Minority interest		(141,737)	205,444	-	-
		136,490	(2,524,261)	(931,399)	(1,560,472)
Total comprehensive income/(loss) attributable to:					
Equity holders of Company		319,093	(2,759,676)	(931,399)	(1,560,472)
Minority interest		(141,737)	205,444	-	-
		177,356	(2,554,232)	(931,399)	(1,560,472)

	Note	Group 2010 RM	Group 2009 RM
Earning/(loss) per share attributable to equity holders of the Company (sen)			
Basic, for earning/(loss) from continuing operations		0.19	(1.58)
Basic, for earning/(loss) from discontinued operations		-	(0.31)
Basic, earning/(loss) per ordinary share	29(a)	0.19	(1.89)
Diluted, earning/(loss) per ordinary share from continuing operations		0.19	(1.58)
Diluted, earning/(loss) per ordinary share from discontinued operations		-	(0.31)
Diluted, earning/(loss) per ordinary share	29(b)	0.19	(1.89)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010

	Attributable to Equity Holders of the Company									
		Non-Distributable					Distributable			
	Share Capital	Share Premium	Revaluation Reserve	Foreign Currency Translation Reserve	Legal Reserve	Assets Held for Sale	Retained Profits	Total	Minority Interest	Total Equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
Balance as at 1st January 2009	13,333,333	5,061,195	1,900,555	(29,327)	-	-	8,086,621	28,352,377	881,322	29,233,699
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(1,057,008)	(1,057,008)
Amortisation of revaluation reserve (Note 18)	-	-	-	-	-	-	38,011	38,011	-	38,011
Amount recognised directly in equity relating to assets classified as held for sale	-	-	-	(3,460)	-	3,460	-	-	-	-
Total comprehensive loss for the financial year	-	-	(38,011)	8,040	-	-	(2,729,705)	(2,759,676)	205,444	(2,554,232)
Balance as at 31st December 2009	13,333,333	5,061,195	1,862,544	(24,747)	-	3,460	5,394,927	25,630,712	29,758	25,660,470
Issuance of shares	1,333,333	-	-	-	-	-	-	1,333,333	-	1,333,333
Amortisation of revaluation reserve (Note 18)	-	-	-	-	-	-	37,251	37,251	-	37,251
Transfer to legal reserve	-	-	-	-	27,053	-	(27,053)	-	-	-
Amount directly recognised in equity relating to assets classified as held for sale	-	-	-	-	-	(3,460)	-	(3,460)	-	(3,460)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	116,492	116,492
Total comprehensive income for the financial year	-	-	(37,251)	78,117	-	-	278,227	319,093	(141,737)	177,356
Balance as at 31st December 2010	14,666,666	5,061,195	1,825,293	53,370	27,053	-	5,683,352	27,316,929	4,513	27,321,442

	Attributable to Equity Holders of the Company			
		Non-Distributable		
	Share Capital	Share Premium	Accumulated Losses	Total Equity
Company	**RM**	**RM**	**RM**	**RM**
Balance as at 1st January 2009	13,333,333	5,061,195	(1,061,389)	17,333,139
Total comprehensive loss for the financial year	-	-	(1,560,472)	(1,560,472)
Balance as at 31st December 2009	13,333,333	5,061,195	(2,621,861)	15,772,667
Issuance of shares	1,333,333	-	-	1,333,333
Total comprehensive loss for the financial year	-	-	(931,399)	(931,399)
Balance as at 31st December 2010	14,666,666	5,061,195	(3,553,260)	16,174,601

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2010

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before taxation				
- continuing operations	387,329	(1,911,690)	(930,508)	(1,560,472)
- discontinued operations	-	(419,755)	-	-
Adjustments for:				
Allowance for doubtful debts	-	-	-	662,910
Amortisation	979,923	1,394,418	-	-
Bad debts written off	791,619	4,526	-	-
Depreciation				
- continuing operations	959,588	1,180,825	-	-
- discontinued operations	-	947	-	-
Effects of foreign exchange rate changes	77,768	8,233	-	-
Gain/(loss) on disposal of:				
- property, plant and equipment	-	(24,585)	-	-
- assets held for sale	(786,605)	-	3,522	-
Interest expense	187,050	199,591	-	-
Interest income	(5,000)	(11,914)	(3,563)	-
Impairment loss on :				
- investment in an associate	-	36,660	-	-
- investment in subsidiaries	-	-	-	100,000
- goodwill on consolidation	12,044	-	-	-
Written off :				
- inventories	-	30,094	-	-
- property, plant and equipment	6,055	-	-	-
- negative goodwill	-	(369,588)	-	-
Operating Cash Flows Before Working Capital Changes	2,609,771	117,762	(930,549)	(797,562)
Changes In Working Capital:				
Development costs	(500)	-	-	-
Inventories	17,822	(39,979)	-	-
Payables	137,939	1,039,821	(28,772)	766,740
Receivables	(6,376,940)	31,953	(230)	(651,660)
	(3,611,908)	1,149,557	(959,551)	(682,482)
Tax paid	(58,142)	(151,427)	(891)	-
Tax refund	215,703	18,266	-	-
Interest paid	(178,569)	(179,874)	-	-
Interest received	5,000	11,914	3,563	-
Net Operating Cash Flows	(3,627,916)	848,436	(956,879)	(682,482)

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES:				
Deposit held as security value	(307,734)	(244,890)	-	-
Investment in subsidiaries	-	-	(25,000)	(737,420)
Purchase of property, plant and equipment (Note A)	(161,133)	(46,909)	-	-
Net cash inflow/(outflow) on investment in subsidiaries (Note B)	104,448	(685,422)	-	-
Proceeds from disposal of assets held for sale (Note C)	3	-	-	-
Proceeds from disposal of property, plant and equipment	92,431	109,774	-	-
Proceeds from disposal of subsidiary	-	-	3	-
Net Investing Cash Flows	(271,985)	(867,447)	(24,997)	(737,420)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interest paid	(8,481)	(19,717)	-	-
Issuance of share capital	1,333,333	-	1,333,333	-
(Repayment to)/advances from subsidiaries	-	-	(362,426)	1,430,399
Repayment of hire purchase payables	(67,632)	(152,097)	-	-
Net Financing Cash Flows	1,257,220	(171,814)	970,907	1,430,399
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,642,681)	(190,825)	(10,969)	10,497
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(1,506,907)	(1,316,082)	11,099	602
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	(4,149,588)	(1,506,907)	130	11,099
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	69,769	798,232	130	11,099
Deposits placed with licensed banks	667,802	360,068	-	-
Bank overdraft - secured	(4,219,357)	(2,456,113)	-	-
	(3,481,786)	(1,297,813)	130	11,099
Less : Deposits held as security value	(667,802)	(360,068)	-	-
Add : Cash and cash equivalents from discontinued operations	-	150,974	-	-
	(4,149,588)	(1,506,907)	130	11,099

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment of RM197,133/- (2009 : RM130,809/-) of which RM 40,026/- (2009 : RM90,791/-) were acquired under hire purchase arrangements. Cash payments amounting to RM 4,026/- (2009 : RM6,891/-) were paid towards the hire purchase.

B. SUMMARY OF EFFECT ON ACQUISITIONS OF SUBSIDIARIES

Group

2010

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

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

2009

(a) On 1st April 2009 and 17th August 2009, the Company increased its equity interest in SMR HR Group Sdn. Bhd. ("SMR HRG") from 76.86% to 99.08% by way of acquisition of 1,500 and 601,500 ordinary shares of RM1/- each in SMR HRG from the existing shareholders of SMR HRG for a total cash consideration of RM1,710/- and RM685,710/- respectively.

(b) On 28th December 2009, the Company had announced that it had incorporated a wholly-owned subsidiary, Agensi Pekerjaan SMR Talent Search Sdn. Bhd. ("SMR TS"), representing 100% of the issued and paid-up share capital of SMR TS for a cash consideration of RM2/-.

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

	Group	
	2010	**2009**
	RM	**RM**
Property, plant and equipment	-	3,425
Trade and other receivables	-	17,566
Cash at bank	-	2,000
Trade payables and other payables	-	(31,949)
Minority interest	(116,492)	1,057,008
Net identifiable assets	(116,492)	1,048,050
Goodwill on consolidation (Note 7)	12,044	-
Negative goodwill on acquisition	-	(360,628)
Total purchase consideration	(104,448)	687,422
Less: Cash and cash equivalents	-	(2,000)
Net cash (inflow)/outflow on investment in subsidiaries	(104,448)	685,422

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20th April 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation

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

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

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

The preparation of financial statements in conformity with FRS, requires the directors to make certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, therefore actual results may differ.

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

2.2 New and Revised FRS, Amendments/Improvements to FRS and IC Interpretations ("IC Int") and Amendments to IC Int

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

The Group and the Company had adopted the following new and revised FRS, amendments/improvements to FRS, IC Interpretations ("IC Int") and amendments to IC Int that are relevant to their operations and are mandatory for the current financial year:-

<u>New FRS</u>	
FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments : Recognition and Measurement
<u>Revised FRS</u>	
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing costs

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

2.2 New and Revised FRS, Amendments/Improvements to FRS and IC Interpretations ("IC Int") and Amendments to IC Int *cont'd*

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

Amendments/Improvements to FRS

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Reporting Period
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 129	Financial Reporting in Hyperinflationary Economics
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 11	FRS 2 – Group and Treasury Share Transactions
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those as discussed below:-

FRS 7 Financial Instruments: Disclosures

Prior to 1st January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments : Disclosure and Presentation. FRS 7 introduces new disclosure to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the financial year ended 31st December 2010.

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

2.2 New and Revised FRS, Amendments/Improvements to FRS and IC Interpretations ("IC Int") and Amendments to IC Int *cont'd*

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

FRS 8 Operating Segments

As of 1st January 2010, the Group determines and presents operating segments based on the information that is internally provided to the chief operating decision maker and concluded that the reportable operating segments in accordance with FRS 8 are the same as the business segments previously identified under FRS 114.

The Group has adopted FRS 8 retrospectively and comparative segment information has been re-presented. Since the change in accounting policy only impact presentation and disclosure aspects, there is no impact on the financial position or results of the Group and of the Company. These revised disclosures, including the related revised comparative information, are shown in Note 32 to the financial statements.

FRS 101 Presentation of Financial Statements (revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit and loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company. Since the change only affects presentation aspects, there is no impact on the financial position or results of the Group and of the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1st January 2010 in accordance with the transitional provisions. The adoptions do not have a significant impact on the financial statements

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

2.2 New and Revised FRS, Amendments/Improvements to FRS and IC Interpretations ("IC Int") and Amendments to IC Int *cont'd*

(b) *Adoption of New and Revised FRS, Amendments/Improvements to FRS and IC Int and Amendments to IC Int*

		Effective for financial periods beginning on or after
Revised FRS		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments/Improvements to FRS		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
FRS 2	Share-based Payment	1 July 2010 and 1 January 2011
FRS 3	Business Combinations	1 January 2011
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosure	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Related Party Disclosures	1 January 2011
FRS 131	Interests in Joint Ventures	1 January 2011
FRS 132	Financial Instruments: Presentation	1 March 2010 and 1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 138	Intangible Assets	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Int		
IC Int 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 15	Agreements for the Construction of Real Estate	1 January 2012
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Int 18	Transfers of Assets from Customers	1 January 2011
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Int		
IC Int 9	Reassessment of Embedded Derivatives	1 July 2010
IC Int 13	Customer Royalty Programmes	1 January 2011
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011
IC Int 15	Agreements for the Construction of Real Estate	30 August 2010

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

2.2 New and Revised FRS, Amendments/Improvements to FRS and IC Interpretations ("IC Int") and Amendments to IC Int *cont'd*

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

The directors do not anticipate that the application of the above new and revised FRS, amendments/ improvements to FRS, IC Int and amendments to IC Int, when they are effective, will have a material impact on the results and the financial position of the Group and of the Company, except for those discussed below:

<u>FRS 3 Business Combinations (revised) and Amendments to FRS 127 Consolidated and Separate Financial Statements</u>

The revised standards are effective for annual periods beginning on or after 1st July 2010. The revised FRS 3 introduces a number of changes which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These changes will affect future acquisitions or loss of control and transactions with minority interests. The Group does not intend to early adopt.

2.3. Significant Accounting Policies

(a) *Basis of Consolidation*

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

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 minority interest.

Intra-group transaction and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

Minority 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 minorities' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated at such profit until the minority's share of losses previously absorbed by the Group has been recovered.

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

2.3. Significant Accounting Policies *cont'd*

(b) Subsidiaries

Subsidiaries are those corporations in which the Group has 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.

In the Company's separate financial statements, investments in subsidiaries are stated at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n). On disposal of such investments, the differences between the net disposal proceeds and their carrying amount are included in the statement of comprehensive income.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets together with any unamortised goodwill is reflected as a gain or loss on disposal in the consolidated statement of comprehensive income.

(c) 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(n).

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.

(d) 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(n).

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.

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

2.3. Significant Accounting Policies *cont'd*

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

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 the statement of comprehensive income as incurred.

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

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

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each statement of financial position 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 the statement of comprehensive income in the year the asset is derecognised.

(e) *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 profits.

(f) *Goodwill on Consolidation*

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n).

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

2.3. Significant Accounting Policies *cont'd*

(f) Goodwill on Consolidation *cont'd*

Goodwill is not amortised but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill represents the excess of fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the statement of comprehensive income.

(g) 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(n).

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.

(h) Development Costs

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

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

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

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

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

(i) 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.

(j) 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.

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

2.3. Significant Accounting Policies *cont'd*

(j) Finance Leases *cont'd*

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 the statement of comprehensive income 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.

(k) 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 statement of financial position date.

Deferred tax is provided for, using the liability method, on temporary differences at the statement of financial position 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 statement of financial position date. Deferred tax is recognised in the statement of comprehensive income, 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.

(l) 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.

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

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

(l) Foreign Currency Translation *cont'd*

(ii) Transactions and balances cont'd

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 differences 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.

(m) Financial Instruments

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

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

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

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

2.3. Significant Accounting Policies *cont'd*

(m) Financial Instruments *cont'd*

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.

(ii) Financial Liabilities

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

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

2.3. Significant Accounting Policies *cont'd*

(m) Financial Instruments *cont'd*

(ii) Financial Liabilities cont'd

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*

(n) 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 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 the 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 the profit or loss.

(ii) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

An impairment loss is recognised in the profit or loss in the period in which it arises.

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

2.3. Significant Accounting Policies *cont'd*

(n) Impairment of Assets *cont'd*

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

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.

(o) Revenue Recognition

(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.

(p) Borrowing Costs

Borrowing costs are charged to the statement of comprehensive income as an expense in the period in which they are incurred.

(q) Employee Benefits

(i) Short term employee benefits

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

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

(ii) Post-employment benefits

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

(r) Operating Segments

In the previous years, a segment was distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

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

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

(r) Operating Segments *cont'd*

Following the adoption of FRS 8 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) Cash and Cash Equivalents

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

(t) Assets Held For Sale

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

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

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

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

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

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

Key Sources of Estimation Uncertainty

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

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

Key Sources of Estimation Uncertainty *cont'd*

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 differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of 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 Company assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

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

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

(iii) Impairment of investment in subsidiaries and associate

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

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

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

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

Key Sources of Estimation Uncertainty *cont'd*

(iv) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31st December 2010 was RM6,663,251 /- (2009 : RM6,663,251/-).

(v) Amortisation of intangible assets and development costs

Amortisation is commenced upon commercialised of the relevant products. Intangible assets and development costs are amortised on a straight line basis over their estimated economic useful lives. The management estimates that the useful lives of the intangible assets and development costs to be 5 years. The carrying amount of the Group's intangible assets and development costs as at 31st December 2010 were RM883/- and RM16,408,284/- (2009 : RM10,096/- and RM16,698,064/-) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the intangible assets and development costs. Therefore the future amortisation change 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) Deferred tax liabilities

The Group recognises deferred tax liabilities in the statement of comprehensive income which are expected to be realised after the pioneer period. Significant management judgement is required to determine the amount of deferred tax liabilities that are expected to be realised within the pioneer period, based upon the likely timing and level of future operations. The carrying value of recognised deferred tax liabilities of the Group as at 31st December 2010 in respect of the deferred tax liabilities that are expected to be realised during the pioneer period was RM134,086/- (2009 : RM66,774/-).

(ix) Income taxes

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

(x) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying values of unrecognised deferred tax assets on the tax losses of the Group was RM423,612/- (2009 : RM362,552/-).

4. PROPERTY, PLANT AND EQUIPMENT

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

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

Group 2010	Office Suite RM	Library RM	Computer Office RM	Computer for Development Activities RM	Computer Software RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Renovation RM	Total RM
Cost/Valuation										
At 1st January 2009	3,900,000	947,773	1,807,953	4,332,785	1,605,244	279,127	1,637,853	528,520	13,298	15,052,553
Acquisition of subsidiary	-	-	3,483	-	-	-	-	-	-	3,483
Additions	-	388	18,187	-	-	6,144	12,836	93,254	-	130,809
Disposals		-	(3,324)				(8,081)	(238,692)		(250,097)
Effect of foreign exchange difference	-	-	-	-	-	-	(193)	-	-	(193)
At 31st December 2009	3,900,000	948,161	1,826,299	4,332,785	1,605,244	285,271	1,642,415	383,082	13,298	14,936,555
Representing :-										
At cost	-	948,161	1,826,299	4,332,785	1,605,244	285,271	1,642,415	383,082	13,298	11,036,555
At valuation	3,900,000	-	-	-	-	-	-	-	-	3,900,000
	3,900,000	948,161	1,826,299	4,332,785	1,605,244	285,271	1,642,415	383,082	13,298	14,936,555
Accumulated Depreciation										
At 1st January 2009	19,500	548,484	1,183,252	2,911,690	601,393	145,314	460,815	322,055	2,660	6,195,163
Acquisition of subsidiary	-	-	58	-	-	-	-	-	-	58
Depreciation for the financial year	78,000	127,418	361,035	680,430	320,617	49,508	163,248	79,286	2,660	1,862,202
Disposals	-	-	(3,320)	-	-	-	(3,550)	(158,038)	-	(164,908)
At 31st December 2009	97,500	675,902	1,541,025	3,592,120	922,010	194,822	620,513	243,303	5,320	7,892,515
Carrying Amounts										
At 31st December 2009	3,802,500	272,259	285,274	740,665	683,234	90,449	1,021,902	139,779	7,978	7,044,040
Representing :-										
At cost	-	272,259	285,274	740,665	683,234	90,449	1,021,902	139,779	7,978	3,241,540
At valuation	3,802,500	-	-	-	-	-	-	-	-	3,802,500
	3,802,500	272,259	285,274	740,665	683,234	90,449	1,021,902	139,779	7,978	7,044,040

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 carried out by PPC International Sdn. Bhd.

b. Had the revalued office suite been carried at historical costs less accumulated depreciation, the carrying amount of the office suite that would have been included in the financial statements at the end of the financial year is RM1,905,721/- (2009 : RM1,947,376/-).

c. The office suite with the carrying amount of RM3,724,500/- (2009 : RM3,802,500/-) has been pledged as security for banking facilities granted to the subsidiary as disclosed in Note 24 and Note 30 to the financial statements.

d. Motor vehicles of the Group with total carrying amount of RM93,971/- (2009 : RM57,091/-) were acquired under hire purchase arrangements.

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	
	2010	**2009**
	RM	**RM**
Computer - office	245,928	1,096,469
Computer for development activities	-	930,635
Office equipment	147,451	14,952
Library	308,496	-
Furniture and fittings	31,560	-
	733,435	2,042,056

f. Included in depreciation for the financial year is an amount of RM680,430/- (2009 : RM680,430/-) capitalised in development costs as disclosed in Note 9 to the financial statements.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2010	**2009**
	RM	**RM**
Unquoted shares - at cost		
At 1st January	14,237,657	13,503,762
Acquisition of subsidiaries	25,000	737,420
Less : Transferred to assets held for sale (Note 15)	-	(3,525)
	14,262,657	14,237,657
Less : Impairment loss		
At 1st January/31st December	100,000	100,000
Carrying amount		
At 31st December	14,162,657	14,137,657

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
		2010	2009	
		%	%	
Direct subsidiaries				
SMR HR Technologies Sdn. Bhd.	Malaysia	100	100	Software consultancy and development and its related activities.
SMR HR Group Sdn. Bhd.	Malaysia	100	76.08	Provision of HRD solutions covering training, consulting, outsourcing, events, learning resources and advisory support services.
SMR HR Services Sdn. Bhd.	Malaysia	100	100	Previously carrying out business activities of outsourcing and consulting services; currently dormant after the transfer of business activities to SMR HR Group.
SMR Services Sdn. Bhd. ^	Malaysia	100	100	Previously providing advisory, management and support services, currently dormant as SMR HR Group provides these services.
Agensi Pekerjaan SMR Talent Search Sdn. Bhd.	Malaysia	100	100	Business of recruitment, employment agency, job placement services and other consultancy related services.
SMR HR Singapore Pte. Ltd. #	Singapore	100	100	HR consulting, training and related activities.
SMR USA Inc.#	United States Of America	-	100	Technical and HRD consulting services and relating activities.
Indirect subsidiary				
SMR Gulf WLL #	Kingdom of Bahrain	99	49	HR consulting, HR development, training and its related activities.

\# *These subsidiaries are not audited by Baker Tilly Monteiro Heng.*

^ *In view of the capital deficiencies reported by this subsidiary, the Auditors' Reports of this subsidiary contain an emphasis of matter relating to the appropriateness of the going concern basis of accounting used in the preparation of their financial statements. In aggregate this subsidiary incurred net losses of RM7,905/- during the financial year ended 31st December 2010.*

6. INVESTMENT IN AN ASSOCIATE

	Group 2010 RM	Group 2009 RM
Outside Malaysia		
Unquoted shares - at cost	690	690
Share of post-acquisition profit	35,970	35,970
	36,660	36,660
Less : Impairment loss	(36,660)	(36,660)
	-	-
Represented by :-		
Share of net assets	-	-

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

Name of Company	Country of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
SMR HR (B) Sdn. Bhd. # ∞	Brunei	30	30	Providing training services.

\# *The associate is not audited by Baker Tilly Monteiro Heng.*

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

The summarised financial information of the associate is as follows:

	Group 2010 RM	Group 2009 RM
Assets and liabilities		
Total assets	-	-
Total liabilities	-	-
Results		
Profit for the financial year	-	-

7. GOODWILL ON CONSOLIDATION

	Group	
	2010	**2009**
	RM	**RM**
Costs		
At 1st January	6,666,051	6,657,091
Acquisition of subsidiaries	12,044	8,960
At 31st December	6,678,095	6,666,051
Less : Impairment loss		
At 1st January	2,800	2,800
Impairment during the financial year	12,044	-
At 31st December	14,844	2,800
Carrying amount		
At 31st December	6,663,251	6,663,251

8. INTANGIBLE ASSETS

	Group	
	2010	**2009**
	RM	**RM**
Intellectual Property Rights		
Costs		
At 1st January/31st December	981,701	981,701
Less : Accumulated amortisation		
At 1st January	971,605	955,265
Amortisation for the financial year	9,213	16,340
At 31st December	980,818	971,605
Carrying amount		
At 31st December	883	10,096

9. DEVELOPMENT COSTS

	Group 2010 RM	Group 2009 RM
Costs		
At 1st January	21,913,307	21,232,877
Additions during the financial year	680,930	680,430
At 31st December	22,594,237	21,913,307
Less : Accumulated amortisation		
At 1st January	5,215,243	3,837,165
Amortisation for the financial year	970,710	1,378,078
At 31st December	6,185,953	5,215,243
Carrying amount		
At 31st December	16,408,284	16,698,064

Included in development costs is an amount of RM680,430/- (2009 : RM680,430/-) depreciation which has been capitalised during the financial year.

10. INVENTORIES

	Group 2010 RM	Group 2009 RM
At Cost		
Consumable inventories	47,196	65,018

11. TRADE AND OTHER RECEIVABLES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Trade receivables	6,248,836	770,941	-	-
Less: Transferred to assets held for sale (Note 15)	-	(76,467)	-	-
	6,248,836	694,474	-	-
Other receivables	9,256	3,500	-	-
Less: Transferred to assets held for sale (Note 15)	-	(2,940)	-	-
	9,256	560	-	-
Prepayments	559,692	28,735	1,480	1,250
Deposits	186,455	54,504	-	-
	7,004,239	778,273	1,480	1,250

11. TRADE AND OTHER RECEIVABLES *cont'd*

a. The Group's normal trade credit terms range from 30 to 90 days (2009 : 30 to 90 days). The credit terms are assessed and approved on a case-by-case basis.

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

	Group	
	2010	**2009**
	RM	**RM**
Ringgit Malaysia	4,537,071	316,488
United States Dollar	797,135	239,947
Brunei Dollar	118,074	-
Bahrain Dollar	335,545	67,449
Euro	158,385	-
Qatar Riyal	227,840	62,640
Singapore Dollar	-	7,950
Arab Emirates Dollar	74,786	-
	6,248,836	694,474

c. Ageing analysis of trade receivables

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

	Group	
	2010	**2009**
	RM	**RM**
Neither past due nor impaired	5,143,931	76,114
1 to 30 days past due not impaired	171,279	395,104
31 to 60 days past due not impaired	93	35,492
61 to 90 days past due not impaired	702,385	37,203
91 to 120 days past due not impaired	-	97,969
More than 121 days past due not impaired	231,148	129,059
	1,104,905	694,827
Impaired	-	-
	6,248,836	770,941

d. Receivables that are neither past due nor impaired

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

e. Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. These receivables are creditworthy receivables with good payments records with the Group.

f. Receivables that are impaired

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

12. AMOUNT DUE BY/(TO) SUBSIDIARIES

	Company	
	2010	**2009**
	RM	**RM**
Amount due by subsidiaries	5,559,433	5,456,197
Less : Allowance for impairment	-	(662,910)
	5,559,433	4,793,287
Amount due to subsidiaries	920,279	516,559

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

13. DEPOSITS PLACED WITH LICENSED BANKS

Group

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

The deposits placed with licensed banks bear interest at 3.00 to 3.70% (2009 : 3.00% to 3.70%) per annum.

14. CASH AND BANK BALANCES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	69,769	949,206	130	11,099
Less : Transferred to assets held for sale (Note 15)	-	(150,974)	-	-
	69,769	798,232	130	11,099

15. ASSETS HELD FOR SALE

Group

2009

On 12th April 2010, the Company disposed off its entire equity interest in SMR USA Inc ("SMR USA"), comprising 1,000 ordinary shares of USD1/- each for a total cash consideration of USD1/-, equivalent to approximately RM3/-. Upon the completion, SMR USA ceased to be a direct subsidiary of the Company.

The assets and liabilities of SMR USA have been presented on the consolidated statement of financial position as at 31st December 2009 as assets held for sale and the result derived from this subsidiary is presented separately on the consolidated statement of comprehensive income as discontinued operations. The carrying amount of RM3,525/-, being the investment in this subsidiary has also been presented as a non-current asset held for sale on the Company's statement of financial position as at 31st December 2009.

15. ASSETS HELD FOR SALE *cont'd*

The results of the discontinued operations are as follows:

	2009 RM
Revenue	473,872
Costs of sales	(90,034)
GROSS PROFIT	383,838
Other operating income	-
Administrative expenses	(803,593)
OPERATING LOSS	(419,755)
Finance costs	-
LOSS BEFORE TAXATION	(419,755)
Taxation	-
LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	(419,755)

The following amounts have been included in arriving at operating loss of the discontinued operations:

	2009 RM
After charging:-	
Audit fees	10,157
Depreciation	947
Loss on disposal of property, plant and equipment	4,414
Staff costs:	
- salaries	611,593
- other staff related expenses	82,336
Rental of office	20,593

The major classes of assets and liabilities classified as held for sale in the consolidated statement of financial position as at 31st December 2009 are as follows:

	2009 RM
Assets	
Trade and other receivables (Note 11)	79,407
Cash and bank balances (Note 14)	150,974
Assets classified as held for sale	230,381
Liabilities	
Trade and other payables (Note 23)	225,331
Liabilities directly associated with assets classified as held for sale	225,331
Equity	
Foreign currency translation reserve	3,460

15. ASSETS HELD FOR SALE *cont'd*

Company

The assets classified as held for sale on the Company's statement of financial position as at 31st December 2009 is as follows:

	2010 RM
Assets	
Investment in subsidiaries (Note 5)	3,525

16. SHARE CAPITAL

	Group and Company			
	2010		2009	
Ordinary shares of RM0.10 each	Number of Shares Units	RM	Number of Shares Units	RM
Authorised:				
At 1st January/31st December	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid:				
At 1st January	133,333,333	13,333,333	133,333,333	13,333,333
Issuance of shares via private placement	13,333,333	1,333,333	-	-
At 31st December	146,666,666	14,666,666	133,333,333	13,333,333

17. SHARE PREMIUM

	Group and Company	
	2010 RM	2009 RM
At 1st January/31st December	5,061,195	5,061,195

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

18. REVALUATION RESERVE

	Group	
	2010	2009
	RM	RM
At 1st January	1,862,544	1,900,555
Amortisation for the financial year	(37,251)	(38,011)
At 31st December	1,825,293	1,862,544

The revaluation reserve represents surplus arising from revaluation of office suite (Note 4(a)).

19. FOREIGN CURRENCY TRANSLATION

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20. LEGAL RESERVE

The legal reserve derived from its indirect 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 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.

21. HIRE PURCHASE PAYABLES

Hire purchase obligations are repayable are as follows:-

	Group	
	2010	2009
	RM	RM
Future minimum hire purchase payments		
- not later than one year	79,774	71,344
- later than one year and not later than five years	71,618	113,861
	151,392	185,205
Future interest charges	(10,782)	(12,963)
Present value of hire purchase payables	140,610	172,242
Current		
- not later than one year	74,041	64,359
Non-current		
- later than one year and not later than five years	66,569	107,883
	140,610	172,242

Hire purchase bear interest range from 2.50% to 10.00% (2009 : 2.50% to 10.00%) per annum.

22. DEFERRED TAX LIABILITIES

	Group 2010 RM	Group 2009 RM
At 1st January	66,774	62,111
Transfer from statement of comprehensive income (Note 28)	67,312	4,663
At 31st December	134,086	66,774

Representing the tax effects of:-

Group 2010	**At 1st January RM**	**Recognised in the Statement of Comprehensive Income RM**	**Not Recognised in the Statement of Comprehensive Income RM**	**At 31st December RM**
Temporary differences between carrying amount of property, plant and equipment and the corresponding tax written down values	601,862	269,248	(858,254)	12,856
Expected to realise during the pioneer period	(334,768)	-	858,254	523,486
Expected to realise after the pioneer period	267,094	269,248	-	536,342
Tax at 25% (2009 : 25%)	66,774	67,312	-	134,086
Group 2009				
Temporary differences between carrying amount of property, plant and equipment and the corresponding tax written down values	1,185,034	18,649	(601,821)	601,862
Expected to realise during the pioneer period	(936,589)	-	601,821	(334,768)
Effects on changes in tax rate	(5,888)	-	5,888	-
Expected to realise after the pioneer period	242,557	18,649	5,888	267,094
Tax at 25% (2008 : 25%)	62,111	4,663	1,472	66,774

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade payables	750,977	664,779	-	-
Less: Transferred to assets held for sale (Note 15)	-	(72,793)	-	-
	750,977	591,986	-	-
Other payables	536,483	483,550	187,103	120,190
Less: Transferred to assets held for sale (Note 15)	-	(91,766)	-	-
	536,483	391,784	187,103	120,190
Accruals	663,208	889,764	91,379	187,064
Less: Transferred to assets held for sale (Note 15)	-	(60,772)	-	-
	663,208	828,992	91,379	187,064
Vendor account	2,350,338	2,350,338	2,350,338	2,350,338
	4,301,006	4,163,100	2,628,820	2,657,592

Group

a. The normal trade credit terms granted to the Group range from 30 to 90 days (2009 : 30 to 90 days).

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

	Group	
	2010	2009
	RM	RM
Ringgit Malaysia	713,148	581,296
United States Dollar	5,304	82,662
Singapore Dollar	-	821
Saudi Riyal	15,548	-
Arab Emirates Dollar	16,977	-
	750,977	664,779

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

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

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

On 1st April 2009 and 17th August 2009, the Company has 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 of RM 685,710/- is represents amount due to vendor.

In June 2009, SMR HRG has achieved the profit guarantee committed. As a result, the balance of RM2,350,338/- represents the purchase consideration due to vendor of SMR HRG.

24. BANK OVERDRAFTS - SECURED

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

(i) Fresh Facility Agreement and Deed of Assignment over one unit of the Group's office suite (Note 4(c));
(ii) against existing deposit placed with licensed bank (Note 13);
(iii) quarterly sinking fund of RM20,000/- to be placed until overdraft of RM1,000,000/- is fully secured; and
(iv) corporate guarantees by the Company (Note 30)
(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 5.55% to 9.05% (2009 : 5.55% to 9.05%) per annum.

25. REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Dividend income	-	-	-	59,814
Software consultancy and development	2,250,823	3,538,320	-	-
Tuition and training	8,265,080	3,266,326	-	-
Consulting	1,276,568	710,654	-	-
Outsourcing	-	30,459	-	-
	11,792,471	7,545,759	-	59,814

26. OPERATING PROFIT/(LOSS)

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
After charging:-				
Allowance for doubtful debts for amount due by subsidiaries	-	-	-	662,910
Amortisation:				
- intellectual property rights	9,213	16,340	-	-
- development costs	970,710	1,378,078	-	-
Audit fees:				
- current year	52,133	50,815	10,500	10,500
- under accrual in prior year	13,560	3,350	2,100	-
Bad debt written off	791,619	4,526	-	-
Depreciation	959,588	1,180,825	-	-

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

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Directors' remuneration:				
- fees	85,150	101,876	72,000	76,710
- salaries and allowances	923,999	1,143,991	420,000	481,935
- Employees' Provident Fund and SOCSO	85,754	113,419	41,040	48,473
- meeting fees	26,250	31,000	26,250	31,000
Loss on disposal of assets held for sale	-	-	3,522	-
Impairment loss :				
- investment in subsidiaries	-	-	-	100,000
- investment in an associate	-	36,660	-	-
- goodwill on consolidation	12,044	-	-	-
Written off:				
- inventory	-	30,094	-	-
- property, plant and equipment	6,055	-	-	-
Realised loss on foreign exchange	64,322	147,976	-	2,698
Rental:				
- office	131,524	178,713	-	-
- office equipment	2,520	1,680	-	-
- car	14,679	-	-	-
- card auto machine	1,200	1,200	-	-
Staff costs:				
- salary, wages, allowances and bonus	2,504,876	1,760,971	-	-
- other staff related expenses	110,924	113,557	2,780	2,992
- Employees' Provident Fund and SOCSO	253,277	182,951	-	-
and crediting:-				
Gain on disposal of:				
- assets held for sale	786,605	-	-	-
- property, plant and equipment	-	24,585	-	-
Negative goodwill arising from acquisition of a subsidiary	-	369,588	-	-
Interest income	5,000	11,914	-	-

27. FINANCE COSTS

	Group	
	2010	2009
	RM	RM
Interest expense		
- hire purchase	(8,481)	(19,717)
- overdraft interest	(178,569)	(179,874)
	(187,050)	(199,591)

28. TAXATION

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Continuing operations				
Income tax				
- current year	(185,984)	(194,373)	(891)	-
- prior year	2,457	6,220	-	-
Deferred tax liabilities (Note 22)				
- current year	71,857	13,059	-	-
- prior year	(139,169)	(17,722)	-	-
	(250,839)	(192,816)	(891)	-

Group

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

28. 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	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before taxation from :				
- continuing operations	387,329	(1,911,690)	(930,508)	(1,560,472)
- discontinued operations (Note 15)	-	(419,755)	-	-
	387,329	(2,331,445)	(930,508)	(1,560,472)
Tax at the applicable tax rate of 25% (2009 : 25%)	(96,832)	582,861	232,627	390,118
Tax effect arising from				
- tax rates in other countries	160	331	-	-
- non-deductible expenses	(355,462)	(968,894)	(233,518)	(390,118)
- non-taxable income	1,926	374,333	-	-
- (origination)/reversal of deferred tax assets not recognised in the financial statements	(61,060)	69,724	-	-
- temporary differences due to pioneer status	396,643	(239,669)	-	-
- over accrual in prior years	(136,214)	(11,502)	-	-
Tax expense for the financial year	(250,839)	(192,816)	(891)	-

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Deductible temporary differences	178,370	565,766	-	-
Unutilised tax losses	(1,872,816)	(2,015,975)	-	-
	(1,694,446)	(1,450,209)	-	-
Potential deferred tax assets not recognised at 25% (2009 : 25%)	(423,612)	(362,552)	-	-

The unabsorbed tax losses are available indefinitely to offset against future taxable profits of the subsidiaries in which those items arose.

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries.

29. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2010 RM	2009 RM
Profit/(Loss) from continuing operations attributable to ordinary equity holders of the Company	278,227	(2,309,950)
Profit/(Loss) from discontinued operation attributable to ordinary equity holders of the Company	-	(419,755)
Profit/(Loss) attributable to ordinary equity holders of the Company	278,227	(2,729,705)
Weighted average number of ordinary shares in issue	144,730,539	133,333,333
Basic profit/(loss) per share (sen) for:		
Earnings/(Loss) from continuing operations	0.19	(1.58)
Earnings/(Loss) from discontinued operation	-	(0.31)
	0.19	(1.89)

(b) Diluted

The Group has no dilutive potential ordinary shares. As such, there is no dilution effect on the earnings per share of the Group.

30. CONTINGENT LIABILITIES

As at 31st December 2010, the Company is contingently liable for the following:-

	Company	
	2010 RM	2009 RM
Corporate guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries	5,210,000	5,210,000

The Company's bank guarantees are secured over the office suite (Note 4(c)) and deposits placed with licensed banks (Note 13) of the subsidiary and are also jointly and severally guaranteed by certain directors of the Company.

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

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

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

Related parties of the Group include:-

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

(b) Significant Related Party Transactions and Balances

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

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Directors				
Rental of office	101,640	101,640	-	-

(c) Key Management Personnel Compensation

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Directors				
Salaries and allowances	923,999	1,143,991	420,000	481,935
Fee	85,150	101,876	72,000	76,710
Employees' Provident Fund and SOCSO	85,754	113,419	41,040	48,473
Meeting fee	26,250	31,000	26,250	31,000
	1,121,153	1,390,286	559,290	638,118
Other key management personnel				
Salaries and allowances	436,773	432,495	-	-
	1,557,926	1,822,781	559,290	638,118

The directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between the parties.

32. SEGMENTAL INFORMATION

During the financial year, the Group adopted FRS 8 Operating Segments. FRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. Nevertheless, the replaced FRS 114_{2004} required the identification of two sets of segments – one based on related products and services, and the other on geographical area. FRS 114_{2004} regarded one set as primary segments and the other as secondary segments.

(a) General Information

No business segmental reporting is prepared as the Group's activities are predominantly in one industry.

(b) Geographical Segments

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

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

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

32. SEGMENTAL INFORMATION *cont'd*

(b) Geographical Segments *cont'd*

	Continuing Operations					Discontinued Operations	
	Malaysia	Asia	Kingdom of Bahrain	Elimination	Consolidated	United States of America	Total Operations
2009	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Revenue							
External sales	6,998,241	34,441	513,077		7,545,759	473,872	8,019,631
Inter-segment sales	1,416,398	-	-	(1,416,398)	-	-	-
	8,414,639	34,441	513,077	(1,416,398)	7,545,759	473,872	8,019,631
Results							
Segment results	5,916,811	25,435	293,841	(1,138,062)	5,098,025	383,838	5,481,863
Unallocated expenses					(7,179,712)	(803,593)	(7,983,305)
Finance costs					(199,591)	-	(199,591)
Negative goodwill arising from acquisition of a subsidiary					369,588	-	369,588
Loss before taxation					(1,911,690)	(419,755)	(2,331,445)
Taxation					(192,816)	-	(192,816)
Loss after taxation					(2,104,506)	(419,755)	(2,524,261)
Assets							
Segment assets	32,359,879	10,334	143,436	-	32,513,649	230,381	32,744,030
Total assets					32,513,649	230,381	32,744,030
Liabilities							
Segment liabilities	6,482,458	4,600	196,514	-	6,683,572	225,331	6,908,903
Total liabilities					6,683,572	225,331	6,908,903
Other segment information							
Depreciation	1,175,593	-	5,232	-	1,180,825	947	1,181,772
Amortisation	1,394,418	-	-	-	1,394,418	-	1,394,418
					2,575,243	947	2,576,190

(c) Information About Major Customers

Major customers' information is 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 customer include revenue from major customer amounting to RM3,992,869/-, arising from income training segment from Malaysia segment.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Note
Financial Asset	
Trade and other receivables	11
Amount due by subsidiaries	12
Deposits placed with licensed banks	13
Cash and bank balances	14
Financial Liabilities	
Trade and other payables	23
Hire purchase payables	21
Bank overdrafts - secured	24
Amount due to subsidiaries	12

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(i) Credit Risk

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

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

a. Exposure to credit risk

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

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

b. Credit risk concentration profile

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

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

(i) Credit Risk *cont'd*

c. Financial assets that are neither past due nor impaired

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

d. Financial assets that are either past due or impaired

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

e. Intercompany balances

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

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

f. Financial guarantee

The Company provides unsecured financial guarantees to financial instituition 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.

34. 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:

	On demand or within 1 year	1 to 5 years	More than 5 years	Total
	RM	RM	RM	RM
2010				
Financial liabilities				
Group				
Trade and other payables	4,301,006	-	-	4,301,006
Hire purchase payables	74,041	66,569	-	140,610
Bank overdrafts - secured	4,219,357	-	-	4,219,357
	8,594,404	66,569	-	8,660,973
			-	-
Company				
Trade and other payables	2,628,820	-	-	2,628,820
Amount due to subsidiaries	920,279	-	-	920,279

(iii) Market Risk

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

(a) Interest Rate Risk

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

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

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

(iii) Market Risk *cont'd*

(a) Interest Rate Risk *cont'd*

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

	Group 2010 RM
Fixed rate instruments	
Financial liabilities	
Hire purchase payables	140,610
Floating rate instruments	
Financial assets	
Deposits placed with licensed bank	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 liabilities as a change in interest rates at the end of the reporting period would not affect the profit or loss.

- Sensitivity analysis for floating rate instruments

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

	Profit before tax	
	Increase 1% 2010	Decrease 1% 2010
Group	**RM**	**RM**
Floating rate instruments		
Financial liabilities	(42,194)	42,194

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

(iii) Market Risk *cont'd*

(b) Foreign Currency Risk *cont'd*

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

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

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

	Trade Receivables 2010 RM	Trade Payables 2010 RM
Denominated in:-		
Arab Emirates Dollar	74,786	-
Australia Dollar	-	16,977
Bahrain Dollar	335,545	-
Brunei Dollar	118,074	-
Euro	158,385	-
Qatar Riyal	227,840	-
Saudi Riyal	-	15,548
Singapore Dollar	-	-
United States Dollar	797,135	5,304
	1,711,765	37,829

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.

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

(iii) Market Risk *cont'd*

(b) Foreign Currency Risk *cont'd*

	Profit before tax Increase/(Decrease)	
	Trade Receivables	Trade Payables
	2010	2010
	RM	RM
Arab Emirates Dollar	7,477	-
Australia Dollar	-	(1,698)
Bahrain Dollar	33,555	-
Brunei Dollar	11,808	-
Euro	15,839	-
Qatar Riyal	22,784	-
Saudi Riyal	-	(1,555)
Singapore Dollar	-	-
United States Dollar	79,714	(530)
	171,177	(3,783)

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

(c) Market Price Risk

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

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

35. 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 2010 were as follows:

	Group 2010 RM
Total borrowings	4,359,967
Less : Cash and cash equivalents	(737,571)
Capital and net debts	3,622,396
Shareholders' funds	27,316,929
Gearing ratio	0.13

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

As disclosed in Note 20 to the financial statements, an indirect 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 legal reserve until such time the reserve total 50% of the issued capital of the company. The reserve is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Law

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

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and the Company as at 31st December 2010 are as follows:-

	Group 2010 RM	Company 2010 RM
Realised	6,777,438	(3,553,260)
Unrealised	(1,094,086)	-
	5,683,352	(3,553,260)

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

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

STATEMENT BY DIRECTORS

We, **PALANIAPPAN A/L RAMANATHAN CHETTIAR** and **NADARAJAH A/L MANICKAM**, being two of the directors of SMR Technologies Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2010 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The supplementary information set out on page 94 to the financial statements have been compiled in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

PALANIAPPAN A/L RAMANATHAN CHETTIAR

NADARAJAH A/L MANICKAM

Kuala Lumpur
Date: 20th April 2011

STATUTORY DECLARATION

I, **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 accompanying financial statements and the supplementary information set out on page 94 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.

PALANIAPPAN A/L RAMANATHAN CHETTIAR

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 20th April 2011.

Before me,

ARSHAD ABDULLAH
Commissioner for Oaths (No. W550)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SMR TECHNOLOGIES BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SMR Technologies Berhad, which comprise the statement of financial positions as at 31st December 2010 of the Group and of the Company, and the statement of comprehensive incomes, 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 notes, as set out on pages 38 to 93.

Directors' Responsibility For The Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determined are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and 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 as to 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31st December 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act 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 Act.

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

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

(d) Other than the auditors' reports of the subsidiaries with emphasis of matter paragraph as disclosed in Note 5 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries were not subject to any qualification material to the consolidated financial statements and did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out on page 94 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.

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

BAKER TILLY MONTEIRO HENG
No. AF 0117
Chartered Accountants

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

Kuala Lumpur
Date: 20th April 2011

GROUP'S PROPERTY

Location	Description	Tenure	Existing use	Built-up area	Age of Building (years)	Net Book Value as at 31.12.2010 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	5	3,725	2006

(Date of last revaluation : 22 September 2008)

The property has been pledged as security by way of a Facility Agreement and Deed of Assignment to secure banking facilities as disclosed in Note 24 on Page 79 to the financial Statements.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2011

SHAREHOLDINGS STRUCTURE

Authorised Share Capital	: RM25,000,000
Issued and fully paid up capital	: RM14,666,666
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	106	9.36	4,800	0.00
100 – 999	54	4.77	13,026	0.01
1,000 – 4,999	175	15.45	417,117	0.28
5,000 – 10,000	178	15.71	1,259,330	0.86
10,001 – 100,000	498	43.95	16,747,692	11.42
100,001 – 1,000,000	112	9.89	30,367,846	20.71
Over 1,000,000	10	0.88	97,856,855	66.72
TOTAL	1,133	100.00	146,666,666	100.00

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Directors	No. of Shares	%	No. of Shares	%
Dato' Dr Palaniappan A/L Ramanathan Chettiar	4,000,464	2.73	56,009,318	38.19 (1)
Dr Nadarajah A/L Manickam	40,000	0.03	-	-
Tuan Haji Ishak Bin Hashim	13,333	0.01	-	-
Leow Nan Chye	374,000	0.26	-	-
Venkiteswaran Sankar	-	-	-	-

Notes:

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

SHAREHOLDERS' HOLDINGS WITH 5% AND ABOVE

	Direct	
Name	Shareholdings	%
Special Flagship Holdings Sdn Bhd	55,999,972	38.18
Fikir Wawasan Sdn Bhd	23,355,174	15.92

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2011

cont'd

LIST OF TOP 30 SHAREHOLDERS

No.	Name & Address	No. Shareholdings	%
1	Special Flagship Holdings Sdn Bhd	55,999,972	38.18
2	Fikir Wawsan Sdn Bhd	23,355,174	15.92
3	Palaniappan A/L Ramanathan Chettiar	4,000,411	2.73
4	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account for Mohamad Azril Bin Abdul Razak (CEB)*	2,976,266	2.03
5	Meenakshi A/P Malayandi	2,894,800	1.97
6	Mayban Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Tang Sing Ling*	2,885,966	1.97
7	Chhoa Kwang Hua	2,136,666	1.46
8	Muthukumar A/L Jeyapalan	1,384,200	0.94
9	Koh Han Foo	1,170,000	0.80
10	Low Ngok Ming	1,053,400	0.72
11	Teoh Seng Hock	991,000	0.68
12	Ang Huat Keat	881,800	0.60
13	Ng Lee Leng	824,500	0.56
14	Tan Soo Sum	800,000	0.55
15	Chong Mei	750,066	0.51
16	Mayban Securities Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Mohd Noor Bin Mohd Idris (REM 822)*	700,666	0.48
17	Pauline Asha Joseph	698,900	0.48
18	Khalic Bin Abdul Hamid	600,000	0.41
19	Fan Choon Fook	590,000	0.40
20	Lim Eng Hock	581,000	0.40
21	Kalaimani A/L Subramanian	556,400	0.38
22	Lee Yew Man	521,000	0.36
23	Lee Ah Yew	500,000	0.34
24	Lok Kum Choy	489,000	0.33
25	Chai Seng Wei	470,000	0.32
26	Ng Swee Chiang	468,000	0.32
27	HDM Nominees (Asing) Sdn Bhd *Beneficiary: DBS Vickers Secs (S) Pte Ltd for Lim Meng Seng*	466,666	0.32
28	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account for Phoa Boon Ting (CEB)*	466,666	0.32
29	RHB Nominees (Tempatan) Sdn Bhd *Beneficiary : Pledged Securities Account for Koh Han Foo*	459,933	0.31
30	Mayban Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Tan Teck Keong*	446,000	0.30
	TOTAL	110,118,452	75.08

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FORM OF PROXY

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

of ____

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

of ____

or failing *him/her ____

of ____

or failing *him/her, the CHAIRMAN of the meeting, as my/our proxy to vote for *me/us on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Radius International Hotel, Kuala Lumpur, 51-A, Changkat Bukit Bintang, 50200 Kuala Lumpur on Thursday, 2 June 2011 at 9.30 a.m. and at any adjournment thereof in the manner indicated below:

RESOLUTIONS	*No.*	*FOR*	*AGAINST*
ORDINARY BUSINESS			
Receive Audited Financial Statements and Reports	1		
Approval of Directors' Fees	2		
Re-election of Director – Dato' Dr Palaniappan A/L Ramanathan Chettiar	3		
Re-election of Director – Mr Venkiteswaran Sankar	4		
Re-appointment of Auditors – Baker Tilly Monteiro Heng	5		
SPECIAL BUSINESS			
Authority to issue shares pursuant to Section 132D of the Companies Act 1965	6		
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	7		
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	8		
Proposed Shareholders' Mandate for Share Buy-Back	9		
Adoption of New Articles of Association	10		

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

Number of Shares : ________________________

CDS No : ________________________

Date : ________________________

____
Signature

Notes :

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.

To be valid this form duly completed must be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time for holding the meeting.

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

If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

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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