

www.smrhrgroup.com



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
- 

CONTENTS

| | |
|----|---|
| 02 | Notice of Sixth Annual General Meeting |
| 04 | Statement Accompanying Notice of Sixth Annual General Meeting |
| 05 | Implementation of Electronic Dividend Payment (“eDividend”) |
| 07 | Corporate Information |
| 08 | Group Corporate Structure |
| 09 | Profile of Directors |
| 13 | Chairman’s Statement |
| 15 | Audit Committee Report |
| 18 | Statement on Corporate Governance |
| 25 | Statement of Directors’ Responsibility |
| 26 | Additional Compliance Information |
| 29 | Statement on Internal Control |

Financial Statements

| | |
|----|-----------------------------------|
| 31 | Directors’ Report |
| 34 | Balance Sheets |
| 35 | Income Statements |
| 36 | Statements of Changes in Equity |
| 38 | Cash Flow Statements |
| 42 | Notes to the Financial Statements |
| 79 | Statement by Directors |
| 79 | Statutory Declaration |
| 80 | Independent Auditors’ Report |
| 82 | Group’s Property |
| 83 | Analysis of Shareholdings |
| | Form of Proxy |

Notice of Sixth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Dewan Selangor, Level 3A, Tower 2, Menara PGRM, No. 6, Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur on Wednesday, 2 June 2010 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 2009 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 2009. | Resolution 2 |
| 3. | To re-elect Dr. Nadarajah A/L Manickam who retires pursuant to Article 90 of the Company's Articles of Association. | Resolution 3 |
| 4. | To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 4 |

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:-

- | | | |
|----|--|---------------------|
| 5. | AUTHORITY TO ISSUE SHARES | Resolution 5 |
| | <p>"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."</p> | |
| 6. | PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE | Resolution 6 |
| | <p>"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 of the Circular to Shareholders dated 11 May 2010 subject to the following:-</p> <ul style="list-style-type: none">(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:-<ul style="list-style-type: none">(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; | |

Notice of Sixth Annual General Meeting

[cont'd]

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."

- 7. 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

MARY MARGRET A/P V. PELLY (LS NO : 04402)

YIP SIEW CHENG (MAICSA NO : 7006780)

Company Secretaries

Kuala Lumpur

11 May 2010

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 authorised.*
- 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.*
- 5. *Explanatory Notes on Special Business:-*
 - (a) **Ordinary Resolution 5 – Authority to Issue Shares**

The ordinary resolution 5 proposed under item No. 5, is a renewal of the previous year mandate and 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 Company at a general meeting will expire at the next Annual General Meeting.

On 23 February 2010, the Company completed the issue of 13,333,333 new shares of RM0.10 each in the Company via a private placement pursuant to the authority granted to the Directors at the Fifth AGM held on 1 June 2009 and which will lapse at the conclusion of the Sixth AGM to be held on 2 June 2010. The proceeds raised from the private placement which amounts to RM1,333,333 will be utilised for working capital purposes and the balance remaining as at 30.4.2010 is RM494,000.

The renewal of this mandate would provide flexibility to the Company for any possible fund raising exercise, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares.

- (b) **Ordinary Resolution 6 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

For ordinary resolution 6, further information on the Recurrent Related Party Transactions are set out in the Circular to Shareholders of the Company dated 11 May 2010 which is dispatched together with the Company's 2009 Annual Report.

Statement Accompanying Notice of Sixth Annual General Meeting

[cont'd]

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

1. The Director standing for re-election and retiring at the Sixth Annual General Meeting

The Director retiring by rotation and standing for re-election pursuant to Article 90 of the Company's Articles of Association is Dr. Nadarajah A/L Manickam.

The profile of the above Director seeking for re-election is set out in the Profile of Directors section of this Annual Report. His shareholding in the Company is disclosed in the Analysis of Shareholdings section of this Annual Report.

Implementation of Electronic Dividend Payment ("eDividend")

To Valued Shareholders

Electronic Dividend Payment or eDividend refers to the payment of cash dividends by a listed issuer to its shareholders by directly crediting the shareholders' cash dividend entitlements into their respective bank accounts. We wish to inform you that all listed issuers who make announcement on or after 1 September 2010 for books closing date for cash dividend entitlements are required to pay cash dividend via eDividend to shareholders who have provided their bank account information to Bursa Malaysia Depository Sdn Bhd ("Bursa Depository").

Benefits of eDividend

- i. Faster access to your cash dividends as your entitlement will be directly credited to your bank account;
- ii. Eliminates the inconvenience of having to travel to the bank to deposit the dividend cheques;
- iii. Eliminates incidents of misplaced, lost or expired cheques;
- iv. Eliminates incident of unauthorised deposit of dividend cheques;
- v. The convenience of one-off registration for entitlement to cash dividend from all listed issuers;
- vi. Option to consolidate dividends from all your Central Depository System ("CDS") accounts into one bank account for better account management.

Registration for eDividend

You can register for eDividend through your authorised depository agents ("ADA"/ "brokers") with effect from 19 April 2010. You need not pay any fees if you register within the grace period of one year, i.e. 19 April 2010 to 18 April 2011. However, if you register after 18 April 2011, you will have to pay a fee.

You are required to provide your bank account number and other information to Bursa Depository through your stock broker, by completing the prescribed form. This form can be obtained in due course from your stock broker's office where your CDS account is maintained, or downloaded from Bursa Malaysia's website at <http://www.bursamalaysia.com>.

You need to submit the duly completed prescribed form together with the following documents for registration:-

- (a) Individual depositor - Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stock broker's verification;

Corporate depositor - Certified true copy of the Certificate of Incorporation/Certificate of Registration;

and
- b) Copy of your bank statement/bank savings book/details of your bank account obtained from your banks website that has been certified by your bank/copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stock broker's verification. For corporate entities, a certified true copy is to be submitted.

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend

If you are unable to be present at your stock broker's office to submit the prescribed form and supporting documents, you can still submit your forms through your remisier or other means to your stock broker's office but please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stock broker, a Dealer's Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

Notification of eDividend payment after registration

You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.

Implementation of Electronic Dividend Payment (“eDividend”)

[cont’d]

Additional information for shareholders

Your savings or current account must be an active bank account, maintained with a local bank under your name or in the case of a joint account, has your name as one of the account holders. The bank account must be maintained with a financial institution that offers MEPS Inter-Bank GIRO (“IBG”) service. We provide herewith the current listing of IBG members extracted from the official website of MEPS, for up-to-date listing, you are advised to visit the website at http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer:

- | | |
|--|---|
| 1. Affin Bank Berhad | 12. EON Bank Berhad |
| 2. Alliance Bank Malaysia Berhad | 13. Hong Leong Bank Berhad |
| 3. AmBank (M) Berhad | 14. HSBC Bank Malaysia Berhad |
| 4. Bank Islam Malaysia Berhad | 15. Malayan Banking Berhad |
| 5. Bank Muamalat Malaysia Berhad | 16. OCBC Bank (Malaysia) Berhad |
| 6. Bank Kerjasama Rakyat Malaysia Berhad | 17. Public Bank Berhad |
| 7. Bank of America | 18. RHB Bank Berhad |
| 8. Bank Simpanan Nasional | 19. Standard Chartered Bank Malaysia Berhad |
| 9. CIMB Bank Berhad | 20. The Royal Bank of Scotland Berhad |
| 10. Citibank Berhad | 21. United Overseas Bank (Malaysia) Bhd |
| 11. Deutsche Bank Berhad | |

We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any queries relating to eDividend, please do not hesitate to contact our Share Registrar:

Insurban Corporate Services Sdn. Bhd.
149, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 603- 7729 5529

Thank you.

Dr. R. Palan
Chairman & Chief Executive Officer

Corporate Information

BOARD OF DIRECTORS

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

Kamatchi @ Valliammai A/P Malayandi ("Mrs. Palan")
Executive Director
- resigned on 6 July 2009

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

Dato' Veerasingam Suppiah
Independent Non-Executive Director
- resigned on 11 March 2009

AUDIT COMMITTEE

Leow Nan Chye
Independent Non-Executive Director

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Dato' Veerasingam Suppiah
Independent Non-Executive Director
- appointed 9 January 2009, resigned on 11 March 2009

Venkiteswaran Sankar
Independent Non-Executive Director
- appointed on 11 March 2009

NOMINATION COMMITTEE

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Leow Nan Chye
Independent Non-Executive Director

REMUNERATION COMMITTEE

Tuan Haji Ishak Bin Hashim
Independent Non-Executive Director

Leow Nan Chye
Independent Non-Executive Director

Kamatchi @ Valliammai A/P Malayandi
Executive Director
resigned on 6 July 2009

Dr. Nadarajah A/L Manickam
Executive Director
- appointed on 6 July 2009

AUDITORS

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

COMPANY SECRETARIES

Mary Margret A/P V. Pelly (LS 04402)
Yip Siew Cheng (MAICSA 7006780)
HMC Corporate Services Sdn. Bhd.
24-3, Jalan Tun Sambanthan 3
50470 Kuala Lumpur

REGISTERED & CORPORATE OFFICE

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

PRINCIPAL BANKERS

Malayan Banking Berhad
AmBank (M) Berhad

SOLICITOR

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

REGISTRAR

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

STOCK EXCHANGE LISTING

ACE Market
Bursa Malaysia Securities Berhad

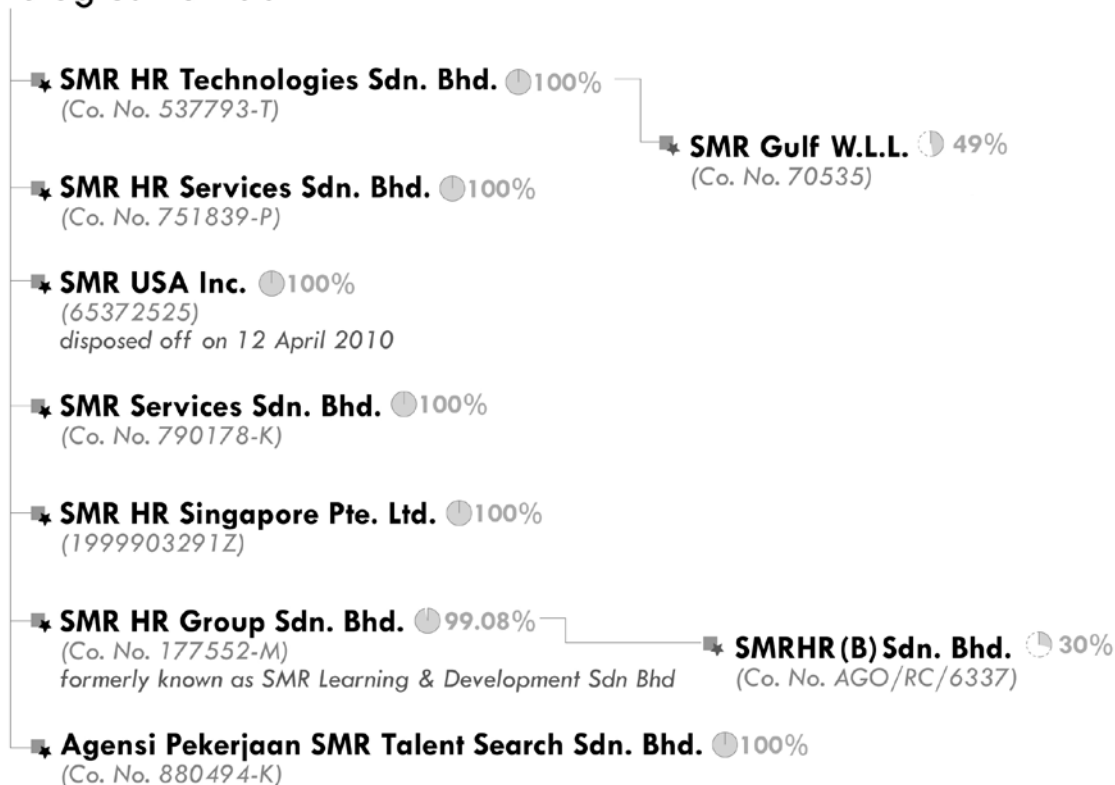
Stock name : SMRTECH
Stock code : 0117

CORPORATE WEBSITE

www.smrhrgroup.com

Group Corporate Structure

SMR Technologies Berhad



BUSINESS OBJECTIVE

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

- (i) to develop a human capital competency development and related software tools;
- (ii) to provide related services such as implementation consultancy, web services and HR outsourcing; and
- (iii) to provide an integrated HR service with Executive Search, Training and products.

Profile of Directors

DR. R. PALAN

B.Sc., M.A., Ph.D., A.P.T.

Chairman & Chief Executive Officer

Dr. R. Palan, a Malaysian, aged 54, 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.

Dr. R. Palan, recognised internationally for his HRD expertise, is a prolific author and has authored over 12 books in the HRD field. They include titles such as Creating Your Own Rainbow, Competency Management: a business practitioner's guide, Frequently Asked Questions in HRD, Performance Management and Measurement in an Asian context. He has been at the forefront creating intellectual property for the organisation which includes the proprietary PAGE framework. He also pioneered the development of the Group's flagship product: HRDPower® software system.

A technopreneur, Dr. R. Palan comes from a successful business family. With a strong IT and business orientation, he has gained valuable experiences in a variety of leadership roles in different industries. He has been contracted to provide consulting services to large organisations around the world. He has spoken at several international conferences which include the World Conference of Banking Institutes in Dubai, 2009 and the IFTDO (International Federation of Training & Development) World Conference 2008 and the WACRA 2008 (World Conference of Airline Customer Relations). He also served one term as the Chairman of the Working Committee on HRD, Asian Chamber of Commerce and Industry.

Dr. R. Palan has a strong on-line presence to reflect the technology trends present today, he is a blogger, moderator of Google groups and has a presence at LinkedIn, the business networking site. He has an extensive website and his Learn & Perform e-news is subscribed by thousands.

Dr. R. Palan studied for his Bachelors in Science and Masters in Arts with Madras University and for his Ph.D with California Coast University before pursuing executive education at the Harvard Business School and the University of California at Los Angeles.

He attended all the four Board meetings held during the financial year ended 31 December 2009. He has no directorship in other public company. He has no family relationship with any Director. He is a major shareholder and Director in Special Flagship Holdings Sdn. Bhd. who is a major shareholder of the Company. Other than those disclosed in Note 11 on Page 27 (Recurrent Related Party Transactions of A Revenue or Trading Nature) of this Annual Report and in the Circular to shareholders dated 11 May 2010 on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature, 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.

Profile of Directors

[cont'd]

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. Nadarajah was appointed as a member of the Remuneration Committee of the Company on 6 July 2009. Dr. Nadarajah 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, Manila in 1983. He has been an awardee of research fellowships from the University Grants Commission, 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 was a pioneer 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 including one for UNEP (Paris). 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 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 himself is involved, on a voluntary basis with initiatives in the areas of philanthropy, peace and sustainable development.

He attended all the four Board meetings held during the financial year ended 31 December 2009. 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 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.

Profile of Directors

[cont'd]

TUAN HAJI ISHAK BIN HASHIM

Independent Non-Executive Director

HAJI ISHAK BIN HASHIM, a Malaysian, aged 68, an Independent Non-Executive Director, was appointed to the Board of SMR Technologies Berhad on 5 October 2005. Haji Ishak is the Chairman of the Nomination Committee and Remuneration Committee as well as a member of the Audit Committee of the Company.

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

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

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

He attended all the four Board meetings held during the financial year ended 31 December 2009. 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 52, 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 2009. He has no directorship in other public company. He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence (other than traffic offences, if any) within the past 10 years.

Profile of Directors

[cont'd]

VENKITESWARAN SANKAR

Independent Non-Executive Director

VENKITESWARAN SANKAR, a Malaysian, aged 63, is an Independent Non-Executive Director and was appointed to the Board of SMR Technologies Berhad on 2 May 2008. He was appointed as a member of the Audit Committee on 11 March 2009.

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 2009. He has no directorships in any other public company in Malaysia. 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.

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 2009.

PERFORMANCE REVIEW

For the financial year ended ("FYE") 31 December 2009, the Group's continuing operations recorded a revenue of RM7.54 million representing a reduction of approximately 10.9% from RM8.47 million recorded in the previous financial year. The lower business volume was attributable to lower sales from all of its products and services due to the prevailing economic situation globally.

The Group posted a net loss of RM2.52 million which was much lower than the RM7.22 million in FYE 2008. This was principally attributable to the higher gross profit margin and various other cost cutting measures adopted. The Group will continue to be vigilant and maintain a lean operation.

PROSPECT & OUTLOOK

In January 2010, the Group rationalised its business operations with an aim to reduce its operating expenses. To this end, SMR Learning & Development Sdn. Bhd., a subsidiary of the Company, which has previously been in the training services business has changed the name to SMR HR Group Sdn. Bhd. ("HRG") effective from 8 January 2010 to undertake expanded scope of business which will include consulting and outsourcing, conference production and sales of learning resources.

The Company has in 2009 increased its equity interest in HRG from 76.86% to 99.08%. This will enable it to benefit from the higher contribution generated by HRG. The projects secured from human resource consulting are expected to drive the sales of software solutions as most software sales are increasingly becoming consulting led.

The Company's new subsidiary, SMR Talent Search Sdn. Bhd. is expected to contribute positively to the Group's result in the following year. The subsidiary will add value as it fulfills the Company's goal of becoming an integrated technology led HR services provider resulting in a one stop centre.

Due to continuing losses from its subsidiary SMR USA Inc, the Company has disposed off this subsidiary in April 2010. The Board will continue to review the profitability of its overseas business operations.

As the global economy stabilizes in the year 2010, the Group is expected to benefit from the recovery and record improved financial performance. Barring any unforeseen circumstances, the Group expects to perform better in 2010.

INDUSTRY TRENDS & DEVELOPMENTS

With the continuing global economic challenges, governments around the world have been supporting the development of human resources through several economic stimulus packages to raise the level of competitiveness both at the business and national level. This augurs well for the Company as it is well positioned as a one-stop centre. The spending for HR technologies and all other related services from organisations are expected to increase despite the tough economic challenges. This is due to the realisation that Talent is a sustainable competitive advantage.

R & D EXPENSES

For the FYE 2009, a total of RM680,430 on R & D expenses were capitalised to Development Cost. Most of the products have been commercialised or at commercialisation stage. Therefore the need to allocate more resources to R & D have not arisen. The goal at this point is to optimise the funds already allocated to R & D with market penetration.

At this point, R & D activities for the year have been restricted to meeting immediate needs and market demands only. We have continued to make the products relevant by meeting immediate requirements such as upgrading to the necessary changes in technology. Our product HRDPower® meets to the latest Microsoft dot.net standards.

Chairman's Statement

[cont'd]

CORPORATE DEVELOPMENTS

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

| | |
|------------------|---|
| 17 August 2009 | The Company acquired an aggregate of 601,500 ordinary shares of RM1.00 each in SMR Learning & Development Sdn. Bhd. (now known as SMR HR Group Sdn. Bhd.) ("HRG"), representing approximately 22.16% of the total issued and paid-up share capital of HRG, for cash consideration of RM685,710 from Dr.Nadarajah A/L Manickam, Murugappan A/L Kalaimani and Meenakshi A/P Malayandi making it a 99.08% owned subsidiary of the Company. |
| 27 October 2009 | SMR Services Sdn. Bhd., a wholly-owned subsidiary of the Company had signed a Memorandum of Agreement with UMS Link Holdings Sdn. Bhd., a company wholly-owned by Universiti Malaysia Sabah for the purpose of collaboration in developing and promoting human resource management. |
| 28 December 2009 | The Company acquired 2 ordinary shares of RM1.00 each in Agensi Pekerjaan SMR Talent Search Sdn. Bhd. ("SMRTS"), representing 100% of the issued and paid-up share capital of SMRTS for a total cash consideration of RM2.00. |

APPRECIATION

On behalf of the Board, I would like to:

- Thank Dato' Veerasingam A/L Suppiah who had resigned from the Board on 11 March 2009 to serve the government, for his contributions during his tenure.
- Thank Madam Kamatchi @ Valliammai A/P Malayandi who had resigned from the Board on 6 July 2009, for her contributions during her tenure.
- 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.

R. Palan Ph.D. A.P.T.
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
(appointed on 11 March 2009)

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 Requirements ("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;

Audit Committee Report

[cont'd]

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.

Audit Committee Report

[cont'd]

TERMS OF REFERENCE [cont'd]

Meetings [cont'd]

The AC met four (4) times during the financial year ended 31 December 2009 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 | 4/4 |
| Mrs. Palan (resigned on 9 Jan 2009) | - |
| Dato' Veerasingam Suppiah (appointed on 9 January 2009, resigned on 11 March 2009) | 1/1 |
| Mr. Venkiteswaran Sankar (appointed on 11 March 2009) | 3/3 |

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 2009 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 2009;
5. Reviewed the Group's related party transactions;
6. Reviewed and approved the Internal Audit Plan for year 2009 to year 2010;
7. 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 addressed by management; and
8. 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.

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 five (5) members; namely two (2) Executive Directors and three (3) Independent Non-Executive Directors which is in compliance with paragraph 15.02 of the ACE Market Listing Requirements ("LR") of Bursa Malaysia Securities 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 Dr. R. Palan, is combined as the Board is confident that 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 appointed to fulfill this role.

The profile of each Director is set out in the Profile of Directors 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 four (4) meetings.

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

Statement on Corporate Governance

[cont'd]

DIRECTORS [cont'd]

Board Meetings [cont'd]

Details of the Directors' attendance at meetings during the financial year 2009 are as follows:

Board Meetings Attended during Tenure in Office

| | | |
|--|---|-----|
| Dr. R. Palan | <i>Chairman & Chief Executive Officer</i> | 4/4 |
| Kamatchi @ Valliammai A/P Malayandi ⁽¹⁾ | <i>Executive Director</i> | 1/2 |
| Dr. Nadarajah Manickam | <i>Executive Director</i> | 4/4 |
| Tuan Haji Ishak Bin Hashim | <i>Independent Non-Executive Director</i> | 4/4 |
| Mr. Leow Nan Chye | <i>Independent Non-Executive Director</i> | 4/4 |
| Mr. Venkisteswaran Sankar | <i>Independent Non-Executive Director</i> | 4/4 |
| Dato' Veerasingam Suppiah ⁽²⁾ | <i>Independent Non-Executive Director</i> | 1/1 |

⁽¹⁾ Up to date of resignation on 6 July 2009.

⁽²⁾ Up to date of resignation on 11 March 2009.

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 2009, the Directors attended courses and talks on corporate governance (Directors' Duties and Corporate Governance Revisited) and human capital development 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.

Statement on Corporate Governance

[cont'd]

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.

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;

Statement on Corporate Governance

[cont'd]

BOARD COMMITTEES [cont'd]

Nomination Committee [cont'd]

6. Authority [cont'd]

- (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 LR of the Bursa Malaysia or other regulatory requirements.

7. Duties and Responsibilities

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

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

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

The NC held one (1) meeting during the financial year ended 31 December 2009, which was attended by all members.

Remuneration Committee

The Remuneration Committee ("RC") comprises three (3) 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

Kamatchi @ Valliammai A/P Malayandi
Member/Executive Director
(resigned on 6 July 2009)

Dr. Nadarajah
Member/Executive Director
(appointed on 6 July 2009)

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.

Statement on Corporate Governance

[cont'd]

BOARD COMMITTEES [cont'd]

Remuneration Committee [cont'd]

3. **Chairman**

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

4. **Meetings**

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

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

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

5. **Quorum**

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

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; and
- (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 2009, which was attended by all members except Madam Kamatchi as the meeting was held after her resignation.

Statement on Corporate Governance

[cont'd]

DIRECTORS' REMUNERATION

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

An analysis of the aggregate Directors' remuneration paid for Directors of the Company for the year ended 31 December 2009 is set out below:-

| Name of Director | Salaries & Allowance RM'000 | Directors' Fees RM'000 | Attendance Fees RM'000 | Contribution to Provident Fund RM'000 | Total RM'000 |
|--|--------------------------------|---------------------------|---------------------------|--|-----------------|
| Executive | | | | | |
| Dr. R. Palan | 309 | - | 8 | 29 | 346 |
| Kamatchi @ Valliammai A/P Malayandi (resigned on 6 July 2009) | 63 | - | 2 | 11 | 76 |
| Dr. Nadarajah Manickam | 125 | - | 3 | 12 | 140 |
| Non-Executive | | | | | |
| Tuan Haji Ishak Bin Hashim | - | 24 | 7 | - | 31 |
| Leow Nan Chye | - | 24 | 8 | - | 32 |
| Dato' Veerasingam Suppiah (resigned on 11 March 2009) | - | 5 | - | - | 5 |
| Venkiteswaran Sankar | - | 24 | 4 | - | 28 |

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

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

| Remuneration band | Number of Directors | |
|-----------------------|---------------------|---------------|
| | Executive | Non-Executive |
| Below RM50,000 | - | 4 |
| RM50,001 – RM100,000 | 1 | - |
| 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 CMDP-Bursa Research Scheme II (CBRS II) programmes and there is an investor's relation section in its Group website at <http://www.smrhrgroup.com>, where investors and shareholders can access for information.

Statement on Corporate Governance

[cont'd]

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Relationship with the External Auditors

The Board through the Audit Committee has established a formal and transparent professional relationship with the external auditors in seeking professional advice and ensuring compliance with the accounting 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 Control

The Board acknowledges its responsibilities for the Group's system of internal control which provide reasonable assessment of effective and efficient operations, 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 Company and to 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.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

The Company did not raise any proceeds from corporate proposals during the financial year.

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

There were no non-audit fees paid and payable to the external auditors by the Company for the financial year ended 31 December 2009.

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 27 (Recurrent Related Party Transactions of a Revenue or Trading Nature) and in Note 29 on Page 74 (Significant Related Party Transactions) in this Annual Report, there were no material contracts 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.

Additional Compliance Information

[cont'd]

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

On 1 June 2009, the Company had obtained shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of revenue or trading nature ("RRPT") with related parties. The aggregate value of Recurrent Transactions entered into by the Group during the financial year was as follows:-

| Companies in SMR Tech Group involved in the RRPT | Related Party | Transactions | Interested Related Parties | Transacted values for the financial year RM'000 |
|--|---------------------------------------|---|----------------------------|---|
| SMR HR Technologies Sdn. Bhd. ("SMR HRT") | Dr. R. Palan ("DRP") | Payment of rental for office space to Related Party | DRP ⁽¹⁾ | 102 |
| SMR HR Technologies Sdn. Bhd. ("SMR HRT") | Asia HRT Ltd. ("AHRTL") | Provision of software development support and related services by Related Party | DRP ⁽²⁾ | 900 |
| SMR HR Group Sdn. Bhd. ("SMR HRG") | | Provision of management and human capital development and support services to Related Party | | 23 |
| SMR HR Services Sdn. Bhd. ("SMR HRS") | | Provision of learning resources to Related Party | | 2 |
| SMR Tech Group of Companies | Asia HRD Congress Sdn. Bhd. ("AHRDC") | Provision of event management and related services by Related Party | DRP ⁽³⁾ | - |

Notes:

- ⁽¹⁾ DRP is a Director and also a major shareholder of SMR Tech Bhd. by virtue of this indirect shareholdings in the Company. He is also a Director of SMR HRT.
- ⁽²⁾ DRP is a Director and also a major shareholder of SMR Tech Bhd. by virtue of this indirect shareholdings in the Company. He is a Director of SMR HRT and SMR HRS and is also a major shareholder of AHRTL.
- ⁽³⁾ DRP is a Director and also a major shareholder of SMR Tech Bhd. by virtue of this indirect shareholdings in the Company. He was a Director of AHRDC until Dec 2009.

12. CORPORATE SOCIAL RESPONSIBILITY

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, building trust with suppliers and regulatory authorities and establishing a name in the human resource fraternity for human capital development. The Group ensures that its business practices comply with general respect for its workplace, environment, community and marketplace.

Workplace

The Group is determined to develop its human capital 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 dimension and skills set in order to achieve and maintain a competitive edge for the Group. The areas covered in 2009 were technical, IT, financial reporting & regulatory framework, sales, quality management system, grooming and business ethics, motivation, investor relations, project management and proposals handling and writing.

Additional Compliance Information

[cont'd]

12. CORPORATE SOCIAL RESPONSIBILITY [cont'd]

Workplace [cont'd]

We have continually reward and recognise employees for their outstanding efforts and performance during the year. The Group has introduced a new initiative, "Staff of the Quarter" to recognise and honour employee for all-round outstanding services and personal contribution to realise the Group's strategic direction.

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 family day.

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

Environment

The Group's business is not 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 accessing to intranet repository and maximising utilisation of ICT facilities available. 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.

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 support charities by making donations for worthy causes.

During the year, the Group organised a motivation programme, "Creating Your Own Rainbow", for a group of 30 students and working adults.

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.

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

We ensure that stakeholders are kept informed of the Group's performance and have open channels for 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, should provide reasonable assurance regarding the achievement of the Group's objectives in ensuring efficiency and effectiveness of operations, reliability and transparency of financial information and compliance with laws and regulations.

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

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

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

- The Group maintains a formal and clearly defined organisation structure with delineated lines of authority, responsibility and accountability within the Group. The Board has put in place suitably qualified and experienced Management personnel to head the Group's diverse business units into delivering results and their performance are measured against their Key Performance Indicators (KPI).
- Budgeting process where budgets for operating subsidiaries are prepared and approved by the Management and monthly monitoring of results against budget with major variances highlighted and management action taken where necessary.
- The Board monitors the Group's performance by reviewing the quarterly results and operations and examines the announcement to Bursa Securities. These are reviewed by the Audit Committee before they are tabled to the Board.
- Minimisation of operating risks to ensure appropriate controls, systems and people are in place throughout the Group's businesses. Key organisational controls employed in managing operating risks include segregation of duties, transactions verification and authorisation, financial performance tracking and management reporting.
- Internal operating procedures and guidelines are documented and easily accessible by all staff on the 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 external quality auditors to ensure the quality system of the subsidiary, SMR HR Group Sdn. Bhd., 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.

Statement on Internal Control

[cont'd]

INTERNAL AUDIT FUNCTIONS

The Audit Committee keeps track and addresses any issues that relates to this matter at every meeting and its members are constantly being updated on any activities that relates to the above. The internal audit functions as per the ACE Market Listing Requirements had been met by the Company. The Audit Committee had appointed an outsourced independent professional internal audit service provider to discharge the internal audit function. The Internal Auditors had performed:-

- audit work in accordance with the approved internal audit plan;
- carry out review on the systems of internal controls;
- review and comment on the effectiveness and adequacy of the existing control procedures/process;
- providing recommendation, where applicable, for improvement of internal control procedures/policies.

Summary of activities carried out by the internal audit function for the financial year ended 31 December 2009, includes:-

1. Internal audit review of subsidiaries of SMR Technologies Berhad. The review scope involved:
 - a. Sales and Marketing function
 - b. System Implementation function
 - c. Customer Service and Business Support
2. Reported to the Audit Committee on the results of internal audit reviews on an on-going periodic basis.
3. Reported to Audit Committee on the design, establishment and implementation of Quality Management System.
4. Conducted follow-up reviews on the internal audit recommendations and action plans agreed by the Management.

During the year under review, nothing has come to the attention of the Board which would result in material losses or contingencies requiring separate disclosure in the annual report. Notwithstanding this, the Board will continue to ensure that the Group's system of internal control will continue to progress to keep up with its dynamic business environment. The costs incurred for the Internal Audit function for the FYE 31 December 2009 were RM17,029.

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 2009.

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 other than principal activities of subsidiaries acquired during the financial year.

RESULTS

| | Group RM | Company RM |
|--|--------------------|--------------------|
| Net loss for the financial year from continuing operations | (2,104,506) | (1,560,472) |
| Net loss for the financial year from discontinued operations | (419,755) | - |
| Net loss for the financial year | <u>(2,524,261)</u> | <u>(1,560,472)</u> |
| Attributable to: | | |
| Equity holders of the Company | (2,729,705) | (1,560,472) |
| Minority interest | 205,444 | - |
| | <u>(2,524,261)</u> | <u>(1,560,472)</u> |

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 2009.

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 income statements and balance sheets 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.

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.

Directors' Report

[cont'd]

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 28 to the financial statements.

No contingent liability or other liability 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.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Palaniappan A/L Ramanathan Chettiar
Nadarajah A/L Manickam
Ishak Bin Hashim
Leow Nan Chye
Venkiteswaran Sankar
Kamatchi @ Valliammai A/P Malayandi
Veerasingham A/L Suppiah

- resigned on 6.7.2009
- resigned on 11.3.2009

Directors' Report

[cont'd]

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 ended 31st December 2009 year are as follows:-

| | Number of ordinary shares of RM0.10 each | | | |
|-------------------------------------|--|--------|--------------|------------------|
| | At 1.1.2009 | Bought | Sold | At 31.12.2009 |
| The Company | | | | |
| SMR Technologies Berhad | | | | |
| Palaniappan A/L Ramanathan Chettiar | 15,316,664 | - | (11,316,200) | 4,000,464 |
| Nadarajah A/L Manickam | 40,000 | - | - | 40,000 |
| 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 and Ishak Bin Hashim 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 as disclosed in the Notes 24 and 29 to 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.

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

Significant events during and after the financial year are disclosed in Note 31 to the financial statements.

AUDITORS

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

On behalf of the Board,

PALANIAPPAN A/L RAMANATHAN CHETTIAR

Director

NADARAJAH A/L MANICKAM

Director

Kuala Lumpur

Date: 27th April 2010

Balance Sheets

as at 31st December 2009

| | | Group | | Company | |
|---|------|------------|------------|-------------|-------------|
| | Note | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 7,044,040 | 8,857,390 | - | - |
| Investment in subsidiaries | 5 | - | - | 14,137,657 | 13,503,762 |
| Investment in an associate | 6 | - | 36,660 | - | - |
| Goodwill on consolidation | 7 | 6,663,251 | 6,654,291 | - | - |
| Intangible assets - Intellectual property rights | 8 | 10,096 | 26,436 | - | - |
| Development costs | 9 | 16,698,064 | 17,395,712 | - | - |
| | | 30,415,451 | 32,970,489 | 14,137,657 | 13,503,762 |
| Current assets | | | | | |
| Inventories | 10 | 65,018 | 55,133 | - | - |
| Trade and other receivables | 11 | 778,273 | 876,593 | 1,250 | 12,500 |
| Amount due by subsidiaries | 12 | - | - | 4,793,287 | 6,447,199 |
| Tax recoverable | | 96,607 | 152,128 | - | - |
| Deposits placed with licensed banks | 13 | 360,068 | 115,178 | - | - |
| Cash and bank balances | 14 | 798,232 | 477,525 | 11,099 | 602 |
| | | 2,098,198 | 1,676,557 | 4,805,636 | 6,460,301 |
| Assets classified as held for sale | 15 | 230,381 | - | 3,525 | - |
| TOTAL ASSETS | | 32,744,030 | 34,647,046 | 18,946,818 | 19,964,063 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 16 | 13,333,333 | 13,333,333 | 13,333,333 | 13,333,333 |
| Share premium | 17 | 5,061,195 | 5,061,195 | 5,061,195 | 5,061,195 |
| Revaluation reserve | 18 | 1,862,544 | 1,900,555 | - | - |
| Foreign currency translation reserve | | (24,747) | (29,327) | - | - |
| Retained profits/(Accumulated losses) | | 5,394,927 | 8,086,621 | (2,621,861) | (1,061,389) |
| Amount recognised directly in equity relating to assets classified as held for sale | | 3,460 | - | - | - |
| | | 25,630,712 | 28,352,377 | 15,772,667 | 17,333,139 |
| Minority interest | | 29,758 | 881,322 | - | - |
| Total Equity | | 25,660,470 | 29,233,699 | 15,772,667 | 17,333,139 |
| Non-current liabilities | | | | | |
| Hire purchase payables | 19 | 107,883 | 157,940 | - | - |
| Deferred tax liabilities | 20 | 66,774 | 62,111 | - | - |
| | | 174,657 | 220,051 | - | - |
| Current liabilities | | | | | |
| Trade and other payables | 21 | 4,163,100 | 3,317,190 | 2,657,592 | 1,890,852 |
| Hire purchase payables | 19 | 64,359 | 82,499 | - | - |
| Bank overdrafts - secured | 22 | 2,456,113 | 1,793,607 | - | - |
| Amount due to subsidiaries | 12 | - | - | 516,559 | 740,072 |
| | | 6,683,572 | 5,193,296 | 3,174,151 | 2,630,924 |
| Liabilities directly associated with assets classified as held for sale | 15 | 225,331 | - | - | - |
| | | 6,908,903 | 5,193,296 | 3,174,151 | 2,630,924 |
| Total liabilities | | 7,083,560 | 5,413,347 | 3,174,151 | 2,630,924 |
| TOTAL EQUITY AND LIABILITIES | | 32,744,030 | 34,647,046 | 18,946,818 | 19,964,063 |

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

Income Statements

for the Financial Year Ended 31st December 2009

| | | Group | | Company | |
|---|-------|-------------|-------------|-------------|-------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | Note | RM | RM | RM | RM |
| CONTINUING OPERATIONS | | | | | |
| Revenue | 23 | 7,545,759 | 8,465,857 | 59,814 | 900,000 |
| Cost of sales | | (2,447,734) | (9,018,054) | - | - |
| GROSS PROFIT | | 5,098,025 | (552,197) | 59,814 | 900,000 |
| Other operating income | | 70,670 | 182,820 | - | - |
| Administrative expenses | | (7,250,382) | (6,460,737) | (1,620,286) | (1,148,050) |
| Impairment loss on goodwill on consolidation | | - | (2,800) | - | - |
| Negative goodwill arising from acquisition of a subsidiary | | 369,588 | 33,124 | - | - |
| OPERATING LOSS | 24 | (1,712,099) | (6,799,790) | (1,560,472) | (248,050) |
| Finance costs | 25 | (199,591) | (39,831) | - | - |
| Share of profit of an associate | | - | 86,145 | - | - |
| LOSS BEFORE TAXATION | | (1,911,690) | (6,753,476) | (1,560,472) | (248,050) |
| Taxation | 26 | (192,816) | 11,021 | - | - |
| NET LOSS FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS | | (2,104,506) | (6,742,455) | (1,560,472) | (248,050) |
| DISCONTINUED OPERATIONS | | | | | |
| Loss before taxation from discontinued operations | | (419,755) | (503,838) | - | - |
| Taxation | 26 | - | 21,987 | - | - |
| NET LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS | | (419,755) | (481,851) | - | - |
| NET LOSS FOR THE FINANCIAL YEAR | | (2,524,261) | (7,224,306) | (1,560,472) | (248,050) |
| Attributable to: | | | | | |
| Equity holders of the Company | | (2,729,705) | (7,304,078) | (1,560,472) | (248,050) |
| Minority interest | | 205,444 | 79,772 | - | - |
| | | (2,524,261) | (7,224,306) | (1,560,472) | (248,050) |
| Loss per share attributable to equity holders of the Company (sen) | | | | | |
| Basic, for loss from continuing operations | 27(a) | (1.58) | (6.41) | | |
| Basic, for loss from discontinued operations | 27(a) | (0.31) | (0.46) | | |
| Basic, loss per ordinary share (sen) | | (1.89) | (6.87) | | |
| Diluted, loss per ordinary share (sen) | 27(b) | - | - | | |

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

Statements of Changes in Equity

for the Financial Year Ended 31st December 2009

| | Attributable to Equity Holders of the Company | | | | | | | | |
|---|---|---------------|---------------------|--------------------------------------|----------------------------------|------------------|-------------|-------------------|--------------|
| | Non-Distributable | | | Distributable | | | | | |
| | Share Capital | Share Premium | Revaluation Reserve | Foreign Currency Translation Reserve | Relating to Assets Held for Sale | Retained Profits | Total | Minority Interest | Total Equity |
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Group | | | | | | | | | |
| Balance at 1st January 2008 | 10,000,000 | 8,394,528 | - | (9,315) | - | 15,390,699 | 33,775,912 | - | 33,775,912 |
| Issue of shares pursuant to capitalisation of share premium | 3,333,333 | (3,333,333) | - | - | - | - | - | - | - |
| Foreign currency translation | - | - | - | (20,012) | - | - | (20,012) | - | (20,012) |
| Revaluation of office suite (Note 18) | - | - | 1,900,555 | - | - | - | 1,900,555 | - | 1,900,555 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | 801,550 | 801,550 |
| Net loss for the financial year | - | - | - | - | - | (7,304,078) | (7,304,078) | 79,772 | (7,224,306) |
| Balance at 31st December 2008 | 13,333,333 | 5,061,195 | 1,900,555 | (29,327) | - | 8,086,621 | 28,352,377 | 881,322 | 29,233,699 |
| Amortisation of revaluation reserve (Note 18) | - | - | (38,011) | - | - | 38,011 | - | - | - |
| Piecemeal acquisition of subsidiaries | - | - | - | - | - | - | - | (1,057,008) | (1,057,008) |
| Foreign currency translation | - | - | - | 8,040 | - | - | 8,040 | - | 8,040 |
| Amount recognised directly in equity relating to assets classified as held for sale | - | - | - | (3,460) | 3,460 | - | - | - | - |
| Net loss for the financial year | - | - | - | - | - | (2,729,705) | (2,729,705) | 205,444 | (2,524,261) |
| Balance 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 |

Statements of Changes in Equity

for the Financial Year Ended 31st December 2009
[cont'd]

| Company | Attributable to Equity Holders of the Company | | | |
|---|---|---------------------------------|----------------------------------|--------------|
| | Share Capital | Non-Distributable Share Premium | Distributable Accumulated Losses | Total Equity |
| | RM | RM | RM | RM |
| Balance at 1st January 2008 | 10,000,000 | 8,394,528 | (813,339) | 17,581,189 |
| Issue of shares pursuant to capitalisation of share premium | 3,333,333 | (3,333,333) | - | - |
| Net loss for the financial year | - | - | (248,050) | (248,050) |
| Balance at 31st December 2008 | 13,333,333 | 5,061,195 | (1,061,389) | 17,333,139 |
| Net loss for the financial year | - | - | (1,560,472) | (1,560,472) |
| Balance at 31st December 2009 | 13,333,333 | 5,061,195 | (2,621,861) | 15,772,667 |

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

Cash Flow Statements

for the Financial Year Ended 31st December 2009

| | Group | | Company | |
|--|-------------|-------------|-------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Loss before taxation | | | | |
| - continuing operations | (1,911,690) | (6,753,476) | (1,560,472) | (248,050) |
| - discontinued operations | (419,755) | (503,838) | - | - |
| Adjustments for: | | | | |
| Allowance for doubtful debts | - | - | 662,910 | - |
| Amortisation | 1,394,418 | 2,953,362 | - | - |
| Bad debts written off | 4,526 | 98,931 | - | - |
| Depreciation | | | | |
| - continuing operations | 1,180,825 | 931,979 | - | - |
| - discontinued operations | 947 | 1,124 | - | - |
| Effects of foreign exchange rate changes | 8,233 | (20,012) | - | - |
| Gain on disposal of property, plant and equipment | (24,585) | (3,300) | - | - |
| Interest expense | 207,116 | 55,824 | - | - |
| Interest income | (11,914) | (20,054) | - | - |
| Impairment loss on : | | | | |
| - goodwill on consolidation | - | 2,800 | - | - |
| - investment in an associate | 36,660 | - | - | - |
| - investment in subsidiaries | - | - | 100,000 | - |
| Written off : | | | | |
| - inventories | 30,094 | - | - | - |
| - negative goodwill | (369,588) | (33,123) | - | - |
| - property, plant and equipment | - | 2,002 | - | - |
| Share of loss of an associate | - | 13,940 | - | 50,175 |
| Operating Profit/(Loss) Before Working Capital Changes | 125,287 | (3,273,841) | (797,562) | (197,875) |
| Changes In Working Capital: | | | | |
| Inventories | (39,979) | 219,057 | - | - |
| Payables | 1,039,821 | 1,928,715 | 766,740 | 1,780,698 |
| Receivables | 31,953 | 6,227,648 | (651,660) | 16,250 |
| Work-in-progress | - | 903,080 | - | - |
| | 1,157,082 | 6,004,659 | (682,482) | 1,599,073 |
| Tax paid | (151,427) | (232,294) | - | - |
| Tax refund | 18,266 | - | - | - |
| Interest paid | (187,399) | (48,300) | - | - |
| Interest received | 11,914 | 20,054 | - | - |
| Net Operating Cash Flow | 848,436 | 5,744,119 | (682,482) | 1,599,073 |

Cash Flow Statements

for the Financial Year Ended 31st December 2009
[cont'd]

| | Group | | Company | |
|---|--------------------|--------------------|---------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Addition in development costs | - | (6,165,080) | - | - |
| Deposit held as security value | (244,890) | (115,178) | - | - |
| Investment in subsidiaries | - | - | (737,420) | (3,278,042) |
| Net cash outflow on investment in subsidiaries (Note B) | (685,422) | (2,566,609) | | |
| Addition in intellectual property rights | - | (783) | - | - |
| Proceeds from disposal of property, plant and equipment | 109,774 | 3,300 | - | - |
| Purchase of property, plant and equipment (Note A) | (46,909) | (156,406) | - | - |
| Net Investing Cash Flow | (867,447) | (9,000,756) | (737,420) | (3,278,042) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Interest paid | (19,717) | (7,524) | - | - |
| Advances from subsidiaries | - | - | 1,430,399 | 1,663,524 |
| Repayment of hire purchase payables | (152,097) | (77,424) | - | - |
| Net Financing Cash Flow | (171,814) | (84,948) | 1,430,399 | 1,663,524 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (190,825) | (3,341,585) | 10,497 | (15,445) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | (1,316,082) | 2,025,503 | 602 | 16,047 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | (1,506,907) | (1,316,082) | 11,099 | 602 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS: | | | | |
| Cash and bank balances | 798,232 | 477,525 | 11,099 | 602 |
| Deposits placed with licensed banks | 360,068 | 115,178 | - | - |
| Bank overdraft - secured | (2,456,113) | (1,793,607) | - | - |
| | (1,297,813) | (1,200,904) | 11,099 | 602 |
| Less : Deposits held as security value | (360,068) | (115,178) | - | - |
| Add : Cash and cash equivalents from discontinued operations | 150,974 | - | - | - |
| | (1,506,907) | (1,316,082) | 11,099 | 602 |

Cash Flow Statements

for the Financial Year Ended 31st December 2009

[cont'd]

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment of RM130,809/- (2008 : RM158,773/-) of which RM90,791/- (2008 : RM4,369/-) were acquired under hire purchase arrangements. Cash payments amounting to RM6,891/- (2008 : RM2,002/-) were paid towards the hire purchase.

B. SUMMARY OF EFFECT ON ACQUISITIONS OF SUBSIDIARIES

2009

- On 1st April 2009 and 17th August 2009, the Company increased its equity interest in SMR HR Group Sdn. Bhd. ("SMR HRG") (formerly known as SMR Learning & Development Sdn. Bhd.) from 76.86% to 99.08% by way of the 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.
- 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/-.

2008

- On 1st July 2008, the Company acquired 2,086,000 ordinary shares of RM1/- each in SMR HR Group Sdn. Bhd. ("SMR HRG") (formerly known as SMR Learning & Development Sdn. Bhd.), representing 76.86% of the issued and paid-up share capital of SMR HRG for a total consideration of RM2,378,040/-.
- On 15th January 2008, the Company had announced that it had incorporated a wholly-owned subsidiary, SMR Services Sdn. Bhd. ("SMRS"), representing 100% of the issued and paid-up share capital of SMRS for a cash consideration of RM2/-.
- On 2nd December 2008, the subsidiary, namely SMR HR Technologies Sdn. Bhd. ("SMR HRT"), of the Company acquired 98 ordinary shares of BD 100/- each in SMR Gulf WLL ("SMR Gulf") representing 49% of the issued and paid-up share capital for a cash consideration of RM93,263/-.

SMR HRT has control over the financial, operating and decision making of SMR Gulf.

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

| | Group | |
|--|------------|------------|
| | 2009 RM | 2008 RM |
| Property, plant and equipment | 3,425 | 1,657,774 |
| Investment in an associate | - | 50,600 |
| Development costs | - | 1,546,305 |
| Trade and other receivables | 17,566 | 768,819 |
| Cash at bank | 2,000 | 223,799 |
| Deposit placed with licensed bank | - | 101,911 |
| Inventories | - | 64,866 |
| Trade payables and other payables | (31,949) | (671,729) |
| Bank overdrafts - secured | - | (421,014) |
| Hire purchase payables | - | (11,227) |
| Tax recoverable | - | 15,272 |
| Deferred tax liabilities | - | (40,000) |
| Minority interest | 1,057,008 | (801,550) |
| Goodwill on consolidation | (360,628) | (12,521) |
| Total purchase consideration | 687,422 | 2,471,305 |
| Less: Cash and cash equivalents | (2,000) | 95,304 |
| Net cash outflow on investment in subsidiaries | 685,422 | 2,566,609 |

Cash Flow Statements

for the Financial Year Ended 31st December 2009
[cont'd]

| | Group | |
|--|---------|-------------|
| | 2009 | 2008 |
| | RM | RM |
| Revenue | - | 1,456,848 |
| Cost of sales | - | (300,251) |
| GROSS PROFIT | - | 1,156,597 |
| Other operating income | - | 19,559 |
| Administrative expenses | (1,491) | (1,353,358) |
| OPERATING LOSS | (1,491) | (177,202) |
| Finance costs | - | (16,658) |
| Share of profit of an associate | - | 35,970 |
| LOSS BEFORE TAXATION | (1,491) | (157,890) |
| Taxation | - | (11,903) |
| NET LOSS FOR THE FINANCIAL YEAR | (1,491) | (169,793) |

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

Notes to the Financial Statements

1. GENERAL INFORMATION

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

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

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

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

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27th April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

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

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

The areas involving a higher degree of judgement of complexity, or areas where assumption and estimates are significant in 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")

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

There are no new and revised accounting standards, amendments/improvements to FRS and IC Int that are effective and applicable for the Group's financial year ended 31st December 2009.

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

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

| | | Effective for financial periods beginning on or after |
|----------------|---|---|
| <u>New FRS</u> | | |
| FRS 4 | Insurance Contracts | 1 January 2010 |
| FRS 7 | Financial Instruments : Disclosures | 1 January 2010 |
| FRS 8 | Operating Segments | 1 July 2009 |
| FRS 139 | Financial Instruments : Recognition and Measurement | 1 January 2010 |

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

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

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

| | | Effective for financial periods beginning on or after |
|---------------------------------------|--|---|
| <u>Revised FRS</u> | | |
| FRS 1 | First-time Adoption of Financial Reporting Standards Business Combinations | 1 July 2010 |
| FRS 3 | Presentation of Financial Statements | 1 July 2010 |
| FRS 101 | | 1 January 2010 |
| FRS 123 | Borrowing costs | 1 January 2010 |
| FRS 127 | Consolidated and Separate Financial Statements | 1 July 2010 |
| <u>Amendments/Improvements to FRS</u> | | |
| FRS 1 | First-time Adoption of Financial Reporting Standards | 1 January 2010 and 1 January 2011 |
| FRS 2 | Share-based Payment | 1 January 2010 and 1 July 2010 |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2010 and 1 July 2010 |
| FRS 7 | Financial Instruments : Disclosure | 1 January 2010 and 1 January 2011 |
| FRS 8 | Operating Segments | 1 January 2010 |
| FRS 107 | Statement of Cash Flows | 1 January 2010 |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2010 |
| FRS 110 | Events After the Reporting Period | 1 January 2010 |
| FRS 116 | Property, Plant and Equipment | 1 January 2010 |
| FRS 117 | Leases | 1 January 2010 |
| FRS 118 | Revenue | 1 January 2010 |
| FRS 119 | Employee Benefits | 1 January 2010 |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance | 1 January 2010 |
| FRS 123 | Borrowing Costs | 1 January 2010 |
| FRS 127 | Consolidated and Separate Financial Statements | 1 January 2010 |
| FRS 128 | Investment in Associates | 1 January 2010 |
| FRS 129 | Financial Reporting in Hyperinflationary Economies | 1 January 2010 |
| FRS 131 | Interests in Joint Ventures | 1 January 2010 |
| FRS 132 | Financial Instruments : Presentation | 1 January 2010 and 1 March 2010 |

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

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

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

| | | Effective for financial periods beginning on or after |
|---------------------------------------|--|---|
| <u>Amendments/Improvements to FRS</u> | | |
| FRS 134 | Interim Financial Reporting | 1 January 2010 |
| FRS 136 | Impairment of Assets | 1 January 2010 |
| FRS 138 | Intangible Assets | 1 January 2010 and 1 July 2010 |
| FRS 139 | Financial Instruments : Recognition and Measurement | 1 January 2010 |
| FRS 140 | Investment Property | 1 January 2010 |
| <u>IC Int</u> | | |
| IC Int 9 | Reassessment of Embedded Derivatives | 1 January 2010 and 1 July 2010 |
| IC Int 10 | Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Int 11 | FRS 2 - Group and Treasury Share Transactions | 1 January 2010 |
| IC Int 12 | Service Concession Arrangements | 1 July 2010 |
| IC Int 13 | Customer Loyalty Programmes | 1 January 2010 |
| IC Int 14 | FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |
| IC Int 15 | Agreements for the Construction of Real Estate | 1 July 2010 |
| 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 |

The Group and the Company plan to adopt the above FRS, Amendments to FRS and Interpretations when they become effective in the respective financial period. The adoption of the above FRS, Amendments to FRS and Interpretations upon their initial application are not expected to have any significant impact on the financial statements of the Group and the Company. The Company is exempted from disclosing the possible impact, if any, to the financial statements upon application of FRS 7 and FRS 139.

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 is transferred to the Group and are de-consolidated from the date control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable 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.

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(a) Basis of Consolidation [cont'd]

The excess of the cost of the acquisition over the net fair value of the Group's share of the identifiable net assets, liabilities and contingent liabilities represents goodwill. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Intra-group transactions 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 a 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.

(b) Subsidiaries

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

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(p). On disposal of such investments, the differences between the net disposal proceeds and their carrying amount are included in the income statements.

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 income statements.

(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(p).

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(c) *Associates* [cont'd]

Equity accounting involves recognising in the income statements the Group's share of the results of associates for the financial year. The Group's investment in associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill on acquisition. Equity accounting is discontinued when the Group ceases to exercise significant influence over the associates or the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

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 difference 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 income statements.

(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(p).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Notes to the Financial Statements

[cont'd]

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 residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement in the year the asset is derecognised.

(e) *Revaluation of Assets*

Land and buildings at valuation are revalued at a regular interval of at 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 income statements. 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(p).

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 income statement.

(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(p).

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;

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(h) Development Costs

- (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(p).

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off to the income statement during the financial year in which they are identified. An estimate is made for doubtful debts based on the review of all outstanding amounts as at the balance sheet date.

(j) 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.

(k) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future, for goods and services received.

(l) Finance Leases

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

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the balance sheet 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 income statement 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.

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(m) *Income Tax*

The tax expense in the income statement 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 balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet 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 balance sheet date. Deferred tax is recognised in the income statement, 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.

(n) *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 income statement.

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 income statement, any corresponding exchange gain or loss is recognised in the income statement.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(n) Foreign Currency Translation [cont'd]

(iii) Foreign Entities [cont'd]

- income and expenses for each income statement 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.

(o) Financial Instruments

Financial instruments are recognised in the balance sheets when the Group has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(p) Impairment of Assets

The carrying amount of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

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 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 income statement in the period in which it arises.

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(p) *Impairment of 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 income statement.

(q) *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.

(r) *Borrowing Costs*

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

(s) *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.

(ii) *Post-Employment Benefits*

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

(t) *Segment Reporting*

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services with a particular economic environment that are subject to risks and return that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Notes to the Financial Statements

[cont'd]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

2.3 Significant Accounting Policies [cont'd]

(u) Cash and Cash Equivalents

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

(v) 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

(a) Critical Judgements Made in Applying Accounting Policies

The management has not made any critical judgements upon the adoption of FRS as mentioned in Note 2.2. However, there is no critical judgement made in applying the Group's and Company's accounting policies.

(b) Key Sources of Estimation Uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

Notes to the Financial Statements

[cont'd]

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS [cont'd]

(b) Key Sources of Estimation Uncertainty [cont'd]

(ii) *Impairment of Development Costs, Property, Plant and Equipment and Intangible Assets* [cont'd]

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 balance sheet 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.

(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 2009 was RM6,663,251/- (2008 : RM6,654,291/-).

(v) *Amortisation of Intangible Assets and Development Costs*

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 2009 were RM10,096/- and RM16,698,064/- (2008 : RM26,436/- and RM17,395,712/-) 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 Doubtful Debts*

The Group makes allowances for doubtful debts 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 concentrations, customer creditworthiness, current economic trends and changes in customer payments terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will be 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.

Notes to the Financial Statements

[cont'd]

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS [cont'd]

(b) Key Sources of Estimation Uncertainty [cont'd]

(viii) *Deferred Tax Liabilities*

The Group recognises deferred tax liabilities in the income statement 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 2009 in respect of the deferred tax liabilities that are expected to be realised during the pioneer period was RM66,774/- (2008 : RM62,111/-).

(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 and 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 RM486,608/- (2008 : RM556,332/-).

Notes to the Financial Statements

[cont'd]

4. PROPERTY, PLANT AND EQUIPMENT

| Group 2009 | 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 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 |

Notes to the Financial Statements

[cont'd]

4. PROPERTY, PLANT AND EQUIPMENT [cont'd]

| Group 2008 | 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 2008 | 2,082,755 | 9,429 | 1,757,857 | 4,280,754 | - | 227,041 | 1,551,383 | 460,898 | - | 10,370,117 |
| Acquisition of subsidiary | - | 936,906 | 19,336 | - | 1,593,155 | 35,918 | 31,910 | 63,253 | 35,000 | 2,715,478 |
| Additions | - | 1,438 | 36,930 | 52,031 | 12,089 | 9,856 | 42,060 | 4,369 | - | 158,773 |
| Disposals/write-offs | - | - | (6,170) | - | - | (888) | - | - | (2,002) | (9,060) |
| Elimination of accumulated depreciation on revaluation | (83,310) | - | - | - | - | - | - | - | - | (83,310) |
| Revaluation surplus | 1,900,555 | - | - | - | - | - | - | - | - | 1,900,555 |
| Reclassification | - | - | - | - | - | 7,200 | 12,500 | - | (19,700) | - |
| At 31st December 2008 | 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 |
| Representing :- | | | | | | | | | | |
| At cost | - | 947,773 | 1,807,953 | 4,332,785 | 1,605,244 | 279,127 | 1,637,853 | 528,520 | 13,298 | 11,152,553 |
| At valuation | 3,900,000 | - | - | - | - | - | - | - | - | 3,900,000 |
| | 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 |
| Accumulated Depreciation | | | | | | | | | | |
| At 1st January 2008 | 52,069 | 2,698 | 817,997 | 2,170,330 | - | 74,566 | 269,154 | 166,550 | - | 3,553,364 |
| Acquisition of subsidiary | - | 481,536 | 14,238 | - | 440,740 | 22,861 | 31,578 | 63,252 | 3,499 | 1,057,704 |
| Depreciation for the financial year | 50,741 | 64,250 | 357,187 | 741,360 | 160,653 | 48,430 | 159,146 | 92,253 | 443 | 1,674,463 |
| Disposals/write-offs | - | - | (6,170) | - | - | (888) | - | - | - | (7,058) |
| Elimination of accumulated depreciation on revaluation | (83,310) | - | - | - | - | - | - | - | - | (83,310) |
| Reclassification | - | - | - | - | - | 345 | 937 | - | (1,282) | - |
| At 31st December 2008 | 19,500 | 548,484 | 1,183,252 | 2,911,690 | 601,393 | 145,314 | 460,815 | 322,055 | 2,660 | 6,195,163 |
| Carrying Amounts at 31st December 2008 | | | | | | | | | | |
| | 3,880,500 | 399,289 | 624,701 | 1,421,095 | 1,003,851 | 133,813 | 1,177,038 | 206,465 | 10,638 | 8,857,390 |
| Representing :- | | | | | | | | | | |
| At cost | - | 399,289 | 624,701 | 1,421,095 | 1,003,851 | 133,813 | 1,177,038 | 206,465 | 10,638 | 4,976,890 |
| At valuation | 3,880,500 | - | - | - | - | - | - | - | - | 3,880,500 |
| | 3,880,500 | 399,289 | 624,701 | 1,421,095 | 1,003,851 | 133,813 | 1,177,038 | 206,465 | 10,638 | 8,857,390 |

Notes to the Financial Statements

[cont'd]

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 net book value of the office suite that would have been included in the financial statements at the end of the financial year is RM1,947,376/- (2008 : RM1,989,031/-).
- c. The office suite with the carrying amount of RM3,802,500/- (2008 : RM3,880,500/-) has been pledged as security for banking facilities granted to the subsidiary as disclosed in Note 22 and Note 28 to the financial statements.
- d. Motor vehicles of the Group with total net book value of RM 57,091/- (2008 : RM206,466/-) 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 | |
|-------------------------------------|------------------|------------------|
| | 2009 | 2008 |
| | RM | RM |
| Computer - office | 1,096,469 | 1,096,469 |
| Computer for development activities | 930,635 | 930,635 |
| Office equipment | 14,952 | 11,577 |
| | <u>2,042,056</u> | <u>2,038,681</u> |

- f. Included in depreciation for the financial year is an amount of RM680,430/- (2008 : RM741,360/-) capitalised in development costs as disclosed in Note 9 to the financial statements.

5. INVESTMENT IN SUBSIDIARIES

| | Company | |
|--|-------------------|-------------------|
| | 2009 | 2008 |
| | RM | RM |
| Unquoted shares - at cost | | |
| At 1st January | 13,503,762 | 13,503,762 |
| Acquisition of subsidiaries | 737,420 | - |
| Less : Transferred to assets held for sale (Note 15) | (3,525) | - |
| | <u>14,237,657</u> | <u>13,503,762</u> |
| Less : Impairment loss | | |
| At 1st January | - | - |
| Impairment loss during the financial year | 100,000 | - |
| At 31st December | <u>100,000</u> | <u>-</u> |
| Carrying amount At 31st December | <u>14,137,657</u> | <u>13,503,762</u> |

Notes to the Financial Statements

[cont'd]

5. INVESTMENT IN SUBSIDIARIES [cont'd]

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

| Name of Company | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|---|--------------------------|---------------------------|--------|--|
| | | 2009 % | 2008 % | |
| Direct subsidiaries | | | | |
| SMR HR Technologies Sdn. Bhd. | Malaysia | 100 | 100 | Software consultancy and development and its related activities. |
| SMR HR Services Sdn. Bhd.^ | Malaysia | 100 | 100 | Human resources consulting and outsourcing services. |
| SMR USA Inc.# | United States of America | 100 | 100 | Technical and HRD consulting services and relating activities. |
| SMR HR Singapore Pte. Ltd. # | Singapore | 100 | 100 | Business management and consultancy services and other service activities. |
| SMR HR Group Sdn. Bhd. (formerly known as SMR Learning & Development Sdn. Bhd.) # | Malaysia | 99.08 | 76.08 | Training and its related activities. |
| SMR Services Sdn. Bhd. ^ | Malaysia | 100 | 100 | Advisory, management and support services. |
| Agensi Pekerjaan SMR Talent Search Sdn.Bhd. * | Malaysia | 100 | - | Business of recruitment, employment agency, job placement services and other consultancy related services. |
| Indirect subsidiary | | | | |
| SMR Gulf WLL ^# + | Kingdom of Bahrain | 49 | 49 | HR consulting, HR development, training and its related activities. |

[^] In view of the capital deficiencies reported by these subsidiaries, the Auditors' Reports of these subsidiaries 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 these subsidiaries incurred a net losses of RM33,182/- during the financial year ended 31st December 2009.

[#] These subsidiaries are not audited by Baker Tilly Monteiro Heng.

^{*} The financial statements of this subsidiary are audited for consolidation purposes.

⁺ The Group has control over the financial, operating and decision making policies of this subsidiary.

Notes to the Financial Statements

[cont'd]

6. INVESTMENT IN AN ASSOCIATE

| | Group | |
|----------------------------------|----------|---------|
| | 2009 | 2008 |
| | RM | 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 | - | 122,200 |

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 | | Principal Activity |
|-------------------------------------|--------------------------|---------------------------|------|------------------------------|
| | | 2009 | 2008 | |
| | | % | % | |
| 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 applied for de-registration with the Registrar of Companies (Brunei).

The summarised financial information of the associate is as follows:

| | Group | |
|-------------------------------|-------|---------|
| | 2009 | 2008 |
| | RM | RM |
| Assets and liabilities | | |
| Current assets | - | 8,198 |
| Total assets | - | 8,198 |
| Current liabilities | - | - |
| Non-current liabilities | - | - |
| Total liabilities | - | - |
| Results | | |
| Profit for the financial year | - | 119,900 |

Notes to the Financial Statements

[cont'd]

7. GOODWILL ON CONSOLIDATION

| | Group | |
|---|-----------|-----------|
| | 2009 | 2008 |
| | RM | RM |
| Costs | | |
| At 1st January | 6,657,091 | 6,636,489 |
| Acquisition of subsidiaries | 8,960 | 20,602 |
| At 31st December | 6,666,051 | 6,657,091 |
| Less : Impairment loss | | |
| At 1st January | 2,800 | - |
| Impairment loss during the financial year | - | 2,800 |
| At 31st December | 2,800 | 2,800 |
| Carrying amount | | |
| At 31st December | 6,663,251 | 6,654,291 |

8. INTANGIBLE ASSETS – INTELLECTUAL PROPERTY RIGHTS

| | Group | |
|--|---------|---------|
| | 2009 | 2008 |
| | RM | RM |
| Costs | | |
| At 1st January | 981,701 | 980,918 |
| Additions during the financial year | - | 783 |
| At 31st December | 981,701 | 981,701 |
| Less : Accumulated amortisation | | |
| At 1st January | 955,265 | 939,068 |
| Amortisation for the financial year | 16,340 | 16,197 |
| At 31st December | 971,605 | 955,265 |
| Carrying amount | | |
| At 31st December | 10,096 | 26,436 |

Notes to the Financial Statements

[cont'd]

9. DEVELOPMENT COSTS

| | Group | |
|--|------------|------------|
| | 2009 | 2008 |
| | RM | RM |
| Costs | | |
| At 1st January | 21,232,877 | 12,780,132 |
| Acquisition of subsidiary | - | 1,546,305 |
| Additions during the financial year | 680,430 | 6,906,440 |
| At 31st December | 21,913,307 | 21,232,877 |
| Less : Accumulated amortisation | | |
| At 1st January | 3,837,165 | 900,000 |
| Amortisation for the financial year | 1,378,078 | 2,937,165 |
| At 31st December | 5,215,243 | 3,837,165 |
| Carrying amount | | |
| At 31st December | 16,698,064 | 17,395,712 |

| | Group | |
|---|---------|---------|
| | 2009 | 2008 |
| | RM | RM |
| Included in development costs incurred during the financial year are as follows:- | | |
| Depreciation (Note 4(f)) | 680,430 | 741,360 |

10. INVENTORIES

| | Group | |
|---------------------------------|--------|--------|
| | 2009 | 2008 |
| | RM | RM |
| Consumable inventories, at cost | 65,018 | 55,133 |

Notes to the Financial Statements

[cont'd]

11. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|----------|---------|---------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Trade receivables | 770,941 | 657,418 | - | - |
| Less: Transferred to assets held for sale (Note 15) | (76,467) | - | - | - |
| | 694,474 | 657,418 | - | - |
| Other receivables | 3,500 | 17,396 | - | - |
| Less: Transferred to assets held for sale (Note 15) | (2,940) | - | - | - |
| | 560 | 17,396 | - | - |
| Prepayments | 28,735 | 149,640 | 1,250 | 12,500 |
| Deposits | 54,504 | 52,139 | - | - |
| | 778,273 | 876,593 | 1,250 | 12,500 |

- The Group's normal trade credit terms range from 30 to 90 days. The credit terms are assessed and approved on a case-by-case basis.
- The foreign currency exposure profiles on trade receivables are as follows:-

| | Group | |
|----------------------|---------|---------|
| | 2009 | 2008 |
| | RM | RM |
| Ringgit Malaysia | 316,488 | 316,249 |
| United States Dollar | 239,947 | 313,811 |
| Bahrain Dollar | 67,449 | 949 |
| Qatar Riyal | 62,640 | - |
| Singapore Dollar | 7,950 | 21,071 |
| Australia Dollar | - | 5,338 |
| | 694,474 | 657,418 |

12. AMOUNT DUE BY/(TO) SUBSIDIARIES

| | Company | |
|------------------------------------|-----------|-----------|
| | 2009 | 2008 |
| | RM | RM |
| Amount due by subsidiaries | 5,456,197 | 6,447,199 |
| Less : Allowance for doubtful debt | (662,910) | - |
| | 4,793,287 | 6,447,199 |
| Amount due to subsidiaries | 516,559 | 740,072 |

The amount due by/(to) subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements

[cont'd]

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 22 and 28 to the financial statements.

The deposits placed with licensed bank bear interest at 3.00 to 3.70% (2008: 3.00% to 3.70%) per annum.

14. CASH AND BANK BALANCES

| | Group | | Company | |
|--|-----------|---------|---------|------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Cash and bank balances | 949,206 | 477,525 | 11,099 | 602 |
| Less : Transferred to assets held for sale (Note 15) | (150,974) | - | - | - |
| | 798,232 | 477,525 | 11,099 | 602 |

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 shall cease to be a direct subsidiary of the Company.

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

The results of the discontinued operations are as follows:

| | 2009 | 2008 |
|---|-----------|-------------|
| | RM | RM |
| Revenue | 473,872 | 1,374,909 |
| Costs of sales | (90,034) | (1,126,881) |
| GROSS PROFIT | 383,838 | 248,028 |
| Other operating income | - | - |
| Administrative expenses | (803,593) | (751,866) |
| OPERATING LOSS | (419,755) | (503,838) |
| Finance costs | - | - |
| LOSS BEFORE TAXATION | (419,755) | (503,838) |
| Taxation | - | 21,987 |
| LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS | (419,755) | (481,851) |

Notes to the Financial Statements

[cont'd]

15. ASSETS HELD FOR SALE [cont'd]

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

| | 2009 RM | 2008 RM |
|---|------------|------------|
| After charging:- | | |
| Audit fees | 10,157 | 10,639 |
| Depreciation | 947 | 1,124 |
| Loss on disposal of property, plant and equipment | 4,414 | - |
| Staff costs | | |
| - salaries | 611,593 | 469,364 |
| - other staff related expenses | 82,336 | 45,805 |
| Rental of office | 20,593 | 49,128 |

The major classes of assets and liabilities classified as held for sale in the consolidated balance sheet 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 21) | 225,331 |
| Liabilities directly associated with assets classified as held for sale | 225,331 |

2009

Company

The assets classified as held for sale on the Company's balance sheet as at 31st December 2009 is as follows:

| | 2009 RM |
|----------------------------|------------|
| Assets | |
| Investment in subsidiaries | 3,525 |

Notes to the Financial Statements

[cont'd]

16. SHARE CAPITAL

| | Group and Company | | | |
|--|------------------------------|------------|------------------------------|------------|
| | 2009 | | 2008 | |
| | Number of Shares Units | RM | Number of Shares Units | RM |
| Ordinary shares of RM0.10 each | | | | |
| 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 | 100,000,000 | 10,000,000 |
| Issued pursuant to capitalisation of share premium | - | - | 33,333,333 | 3,333,333 |
| At 31st December | 133,333,333 | 13,333,333 | 133,333,333 | 13,333,333 |

17. SHARE PREMIUM

| | Group and Company | |
|---|-------------------|-------------|
| | 2009 | 2008 |
| | RM | RM |
| At 1st January | 5,061,195 | 8,394,528 |
| Issue of 33,333,333 ordinary shares pursuant to bonus issue | - | (3,333,333) |
| At 31st December | 5,061,195 | 5,061,195 |

18. REVALUATION RESERVE

| | Group | |
|-------------------------------------|-----------|-----------|
| | 2009 | 2008 |
| | RM | RM |
| At 1st January | 1,900,555 | - |
| Arising from revaluation | - | 1,900,555 |
| Amortisation for the financial year | (38,011) | - |
| At 31st December | 1,862,544 | 1,900,555 |

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

Notes to the Financial Statements

[cont'd]

19. HIRE PURCHASE PAYABLES

Hire purchase obligations are repayable as follows:-

| | Group | |
|---|--------------|-------------|
| | 2009 | 2008 |
| | RM | RM |
| Future minimum hire purchase payments | | |
| - not later than one year | 71,344 | 92,270 |
| - later than one year and not later than five years | 113,861 | 170,280 |
| | 185,205 | 262,550 |
| Future interest charges | (12,963) | (22,111) |
| Present value of hire purchase payables | 172,242 | 240,439 |
| Current | | |
| - not later than one year | 64,359 | 82,499 |
| Non-current | | |
| - later than one year and not later than five years | 107,883 | 157,940 |
| | 172,242 | 240,439 |

Group

Hire purchase bear interest range from 2.50% to 10.00% (2008 : 2.50% to 10.00%) per annum.

20. DEFERRED TAX LIABILITIES

| | Group | |
|---|--------------|-------------|
| | 2009 | 2008 |
| | RM | RM |
| At 1st January | 62,111 | 48,384 |
| Acquisition of subsidiary | - | 40,000 |
| Transfer from/(to) income statement (Note 26) | 4,663 | (26,273) |
| At 31st December | 66,774 | 62,111 |

Notes to the Financial Statements

[cont'd]

20. DEFERRED TAX LIABILITIES [cont'd]

Representing the tax effects of:-

| Group | At 1st January | Recognised in the Income Statement | Not Recognised in the Income Statement | Acquisition of subsidiary | At 31st December |
|---|-------------------|---|--|---------------------------------|------------------------|
| 2009 | RM | RM | RM | RM | RM |
| Temporary differences between carrying amount 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 |
| 2008 | | | | | |
| Temporary differences between carrying amount and the corresponding tax written down values | 3,371,936 | (574,206) | (1,772,696) | 160,000 | 1,185,034 |
| Expected to realise during the pioneer period | (3,184,285) | 475,000 | 1,772,696 | - | (936,589) |
| Effects on changes in tax rate | - | (5,888) | - | - | (5,888) |
| Expected to realise after the pioneer period | 187,651 | (105,094) | - | 160,000 | 242,557 |
| Tax at 25% (2007 : 26%) | 48,384 | (26,273) | - | 40,000 | 62,111 |

Notes to the Financial Statements

[cont'd]

21. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Trade payables | 664,779 | 608,423 | - | - |
| Less: Transferred to assets held for sale (Note 15) | (72,793) | - | - | - |
| | 591,986 | 608,423 | - | - |
| Other payables | 483,550 | 282,367 | 120,190 | 129,624 |
| Less: Transferred to assets held for sale (Note 15) | (91,766) | - | - | - |
| | 391,784 | 282,367 | 120,190 | 129,624 |
| Accruals | 889,764 | 761,772 | 187,064 | 96,600 |
| Less: Transferred to assets held for sale (Note 15) | (60,772) | - | - | - |
| | 828,992 | 761,772 | 187,064 | 96,600 |
| Vendor account | 2,350,338 | 1,664,628 | 2,350,338 | 1,664,628 |
| | 4,163,100 | 3,317,190 | 2,657,592 | 1,890,852 |

Group

- The normal trade credit terms granted to the Group range from 30 to 90 days.
- The foreign currency exposure profiles on the trade payable are as follows:-

| | Group | |
|----------------------|---------|---------|
| | 2009 | 2008 |
| | RM | RM |
| Ringgit Malaysia | 581,296 | 400,099 |
| United States Dollar | 82,662 | 193,127 |
| Bahrain Dollar | - | 15,197 |
| Singapore Dollar | 821 | - |
| | 664,779 | 608,423 |

- The vendor account arose from the acquisition of the subsidiary, namely SMR HR Group Sdn. Bhd. (*formerly known as SMR Learning & Development Sdn. Bhd. ("SMR HRG")*).

Pursuant to sales and purchase agreement, the vendor shall guarantee the profit of the subsidiary to be RM3,000,000/- for a period of 18 months for the financial period from 1st January 2008 to 30th June 2009. In June 2009, the subsidiary has achieved the profit guarantee committed.

Notes to the Financial Statements

[cont'd]

22. 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 fixed deposit with letter of set off (Note 13);
- (iii) quarterly sinking fund of RM5,000/- to be placed until overdraft of RM500,000/- is fully secured; and
- (iv) corporate guarantees by the Company

Bank overdraft bear interest at rates ranging from 5.55% to 9.05% (2008: 5.55% to 9.05%) per annum.

23. REVENUE

| | Group | | Company | |
|--------------------------------------|-----------|-----------|---------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Dividend income | - | - | 59,814 | 900,000 |
| Software consultancy and development | 3,538,320 | 5,966,827 | - | - |
| Tuition/training | 3,266,326 | 1,382,939 | - | - |
| Consulting | 710,654 | 715,319 | - | - |
| Outsourcing | 30,459 | 400,772 | - | - |
| | 7,545,759 | 8,465,857 | 59,814 | 900,000 |

24. OPERATING LOSS

Operating loss has been arrived at:-

| | Group | | Company | |
|---|-----------|-----------|---------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| After charging:- | | | | |
| Allowance for doubtful debts for amount due by subsidiaries | - | - | 662,910 | - |
| Amortisation : | | | | |
| - intellectual property rights | 16,340 | 16,197 | - | - |
| - development costs | 1,378,078 | 2,937,165 | - | - |
| Audit fees : | | | | |
| - current year | 50,815 | 38,791 | 10,500 | 10,500 |
| - under/(over)accrual in prior year | 3,350 | (9,152) | - | 400 |
| Bad debt written off | 4,526 | 98,931 | - | - |
| Depreciation | 1,180,825 | 931,979 | - | - |

Notes to the Financial Statements

[cont'd]

24. OPERATING LOSS [cont'd]

Operating loss has been arrived at:-

| | Group | | Company | |
|---------------------------------------|-----------|-----------|---------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| After charging:- | | | | |
| Directors' remuneration : | | | | |
| - fees | 101,876 | 113,088 | 76,710 | 72,000 |
| - salaries and allowances | 1,143,991 | 1,170,275 | 481,935 | 467,500 |
| - Employees' Provident Fund and SOCSO | 113,419 | 117,048 | 48,473 | 46,140 |
| - meeting fees | 31,000 | 51,500 | 31,000 | 51,500 |
| Impairment loss : | | | | |
| - goodwill on consolidation | - | 2,800 | - | - |
| - investment in subsidiaries | - | - | 100,000 | - |
| - investment in an associate | 36,660 | - | - | - |
| Written off : | | | | |
| - inventory | 30,094 | - | - | - |
| - negative goodwill | 369,588 | 33,123 | - | - |
| - property, plant and equipment | - | 2,002 | - | - |
| Realised loss on foreign exchange | 147,976 | 79,363 | 2,698 | 31 |
| Rental | | | | |
| - office | 178,713 | 175,371 | - | - |
| - office equipment | 1,680 | 4,258 | - | 300 |
| - card auto machine | 1,200 | 1,481 | - | - |
| Staff costs | | | | |
| - salary, wages, allowances and bonus | 1,760,971 | 1,479,173 | - | - |
| - other staff related expenses | 113,557 | 270,142 | 2,992 | 6,780 |
| - Employees' Provident Fund and SOCSO | 182,951 | 168,437 | - | - |

25. FINANCE COSTS

| | Group | |
|----------------------|-----------|----------|
| | 2009 | 2008 |
| | RM | RM |
| Interest expense | | |
| - hire purchase | (19,717) | (7,524) |
| - overdraft interest | (179,874) | (32,307) |
| | (199,591) | (39,831) |

Notes to the Financial Statements

[cont'd]

26. TAXATION

| | Group | | Company | |
|------------------------------------|-----------|----------|---------|------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Continuing operations | | | | |
| Income tax | | | | |
| - current year | (194,373) | (1,142) | - | - |
| - prior year | 6,220 | (14,110) | - | - |
| Deferred tax liabilities (Note 20) | | | | |
| - current year | 13,059 | 26,273 | - | - |
| - prior year | (17,722) | - | - | - |
| | (192,816) | 11,021 | - | - |
| Discontinued operations | | | | |
| Income tax | | | | |
| - current year | - | 21,987 | - | - |
| | (192,816) | 33,008 | - | - |

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.

Group and Company

The income tax is tabulated at Malaysian Statutory rate of 25% (2008 : 26%) of the estimated assessable profit for the financial year.

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

| | Group | | Company | |
|-------------------------------------|-------------|-------------|-------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Loss before taxation from : | | | | |
| - continuing operations | (1,911,690) | (6,753,476) | (1,560,472) | (248,050) |
| - discontinued operations (Note 15) | (419,755) | (503,838) | - | - |
| | (2,331,445) | (7,257,314) | (1,560,472) | (248,050) |

Notes to the Financial Statements

[cont'd]

26. TAXATION [cont'd]

Group and Company [cont'd]

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:- [cont'd]

| | Group | | Company | |
|--|-----------|-------------|-----------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Tax at the applicable tax rate of 25% (2008 : 26%) | 582,861 | 1,886,036 | 390,118 | 64,493 |
| Tax effect arising from | | | | |
| - tax rates in other countries | 331 | 840 | - | - |
| - non-deductible expenses | (968,894) | (1,081,870) | (241,649) | (64,493) |
| - non-taxable income | 374,333 | 1,566 | - | - |
| - reversal/(origination) of deferred tax assets not recognised in the financial statements | 69,724 | (485,719) | (148,469) | - |
| - temporary differences due to pioneer status | (239,669) | (279,065) | - | - |
| - deferred tax recognised at different tax rate | - | (17,068) | - | - |
| - over accrual in prior years | (11,502) | (14,110) | - | - |
| - share of result of an associate | - | 22,398 | - | - |
| Tax expense for the financial year | (192,816) | 33,008 | - | - |

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

| | Group | | Company | |
|---|-----------|-----------|---------|------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Deductible temporary differences | - | 1,656 | - | - |
| Unutilised tax losses | 1,946,429 | 2,223,670 | - | - |
| | 1,946,429 | 2,225,326 | - | - |
| Potential deferred tax assets not recognised at 25% | 486,608 | 556,332 | - | - |

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.

Notes to the Financial Statements

[cont'd]

27. 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.

| | 2009 RM | 2008 RM |
|---|-------------|-------------|
| Loss from continuing operations attributable to ordinary equity holders of the Company | (2,104,506) | (6,742,455) |
| Loss from discontinued operation attributable to ordinary equity holders of the Company | (419,755) | (481,851) |
| Loss attributable to ordinary equity holders of the Company | (2,524,261) | (7,224,306) |
| Weighted average number of ordinary shares in issue | 133,333,333 | 105,144,155 |
| Basic loss per share (sen) for : | | |
| Loss from continuing operations | (1.58) | (6.41) |
| Loss from discontinued operation | (0.31) | (0.46) |
| Loss for the financial year | (1.89) | (6.87) |

(b) Diluted

There are no diluted earnings per share as the Company does not have any dilutive potential ordinary shares.

28. CONTINGENT LIABILITIES

As at 31st December 2009, the Company are contingently liable for the following:-

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Corporate guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries | - | - | 5,210,000 | 5,210,000 |

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

Notes to the Financial Statements

[cont'd]

29. 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) Direct subsidiaries;
- (ii) Direct associate;
- (iii) 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 | |
|---------------------------|---------|-----------|---------|------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Subsidiaries | | | | |
| Sales | 25,040 | 937,235 | - | - |
| Purchases | - | 116,617 | - | - |
| Software development cost | 900,000 | 3,125,663 | - | - |
| Directors | | | | |
| Rental of office | 101,640 | 79,860 | - | - |

(c) Key Management Personnel Compensation

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

| | Group | | Company | |
|---------------------------------------|-----------|-----------|---------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Directors | | | | |
| Salaries and allowances | 1,143,991 | 1,170,275 | 481,935 | 467,500 |
| Fee | 101,876 | 113,088 | 76,710 | 72,000 |
| Employees' Provident Fund and SOCSO | 113,419 | 117,048 | 48,473 | 46,140 |
| Meeting fee | 31,000 | 51,500 | 31,000 | 51,500 |
| | 1,390,286 | 1,451,911 | 638,118 | 637,140 |
| Other key management personnel | | | | |
| Salaries and allowances | 432,495 | 359,451 | - | - |
| | 1,822,781 | 1,811,362 | 638,118 | 637,140 |

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.

Notes to the Financial Statements

[cont'd]

30. SEGMENTAL INFORMATION

(a) Business Segments

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.

| | Continuing Operations | | | | Discontinued Operations | | Total Operations |
|--|-----------------------|--------|---------|-------------|-------------------------|--------------------------|------------------|
| | Malaysia | Asia | Bahrain | Elimination | Consolidated | United States of America | |
| 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 |

Notes to the Financial Statements

[cont'd]

30. SEGMENTAL INFORMATION [cont'd]

(b) Geographical Segments [cont'd]

| | ← Continuing Operations → | | | | Discontinued Operations | |
|----------------------------------|---------------------------|--------|--------------------------|--------------|--------------------------|------------------|
| | Malaysia | Asia | Elimination | Consolidated | United States of America | Total Operations |
| 2008 | RM | RM | RM | RM | RM | RM |
| Revenue | | | | | | |
| External sales | 8,388,964 | 76,893 | - | 8,465,857 | 1,374,909 | 9,840,766 |
| Inter-segment sales | 171,673 | - | (171,673) | - | - | - |
| | 8,560,637 | 76,893 | (171,673) | 8,465,857 | 1,374,909 | 9,840,766 |
| Results | | | | | | |
| Segment results | (921,673) | 41,147 | 328,329 | (552,197) | 248,028 | (304,169) |
| Unallocated expenses | | | | (6,247,593) | (751,866) | (6,999,459) |
| Finance costs | | | | (39,831) | - | (39,831) |
| Share of profit of an associate | | | | 86,145 | - | 86,145 |
| Loss before taxation | | | | (6,753,476) | (503,838) | (7,257,314) |
| Taxation | | | | 11,021 | 21,987 | 33,008 |
| Loss after taxation | | | | (6,742,455) | (481,851) | (7,224,306) |
| Other segment information | | | | | | |
| Depreciation | 931,979 | - | - | 931,979 | 1,124 | 933,103 |
| Amortisation | 2,953,362 | - | - | 2,953,362 | - | 2,953,362 |
| | | | | 3,885,341 | 1,124 | 3,886,465 |
| | Malaysia | Asia | United States of America | Elimination | Consolidated | Total |
| Assets | | | | | | |
| Segment assets | 34,284,282 | 42,371 | 320,393 | - | 34,647,046 | 34,647,046 |
| Total assets | | | | | 34,647,046 | 34,647,046 |
| Liabilities | | | | | | |
| Segment liabilities | 5,189,593 | 8,296 | 215,458 | - | 5,413,347 | 5,413,347 |
| Total liabilities | | | | | 5,413,347 | 5,413,347 |

Notes to the Financial Statements

[cont'd]

31. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

- (a) On 1st April 2009 and 17th August 2009, the Company increased its equity interest in SMR HR Group Sdn. Bhd. (formerly known as SMR Learning & Development Sdn. Bhd. ("SMR HRG")) from 76.86% to 99.08% by way of the 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 acquired 2 ordinary shares of RM1/- each in 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/-.
- (c) On 23rd February 2010, the Company had completed the proposed private placement for 13,333,333 ordinary shares of RM0.10/- each, representing 10% of the issued and paid-up share capital of the Company.

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit, interest rate, foreign currency and liquidity risks.

(i) Credit Risk

The management has in place a credit procedure to monitor and minimise the exposure of default. Trade receivables are monitored on a regular and an ongoing basis.

Other than as mentioned, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

(ii) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group has no substantial long term interest-bearing assets as at 31st December 2009. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

| Group As at 31st December 2009 | Effective Interest Rate % | Within 1 Year RM | 1 - 5 Years RM | > 5 Years RM | Total RM |
|-----------------------------------|------------------------------------|------------------------|----------------------|--------------------|-------------|
| Financial Asset | | | | | |
| Deposit place with licensed banks | 3.00 to 3.70 | 360,068 | - | - | 360,068 |
| Financial Liabilities | | | | | |
| Bank overdrafts - secured | 5.55 to 9.05 | 2,456,113 | - | - | 2,456,113 |
| Hire purchase liabilities | 2.50 to 10.00 | 64,359 | 107,883 | - | 172,242 |

Notes to the Financial Statements

[cont'd]

32. FINANCIAL INSTRUMENTS [cont'd]

(a) Financial Risk Management [cont'd]

(ii) Interest Rate Risk [cont'd]

| Group As at 31st December 2008 | Effective Interest Rate % | Within 1 Year RM | 1 - 5 Years RM | > 5 Years RM | Total RM |
|-----------------------------------|------------------------------------|------------------------|----------------------|--------------------|-------------|
| Financial Asset | | | | | |
| Deposit place with licensed banks | 3.00 to 3.70 | 115,178 | - | - | 115,178 |
| Financial Liabilities | | | | | |
| Bank overdrafts - secured | 5.55 to 9.05 | 1,793,607 | - | - | 1,793,607 |
| Hire purchase liabilities | 2.50 to 10.00 | 82,499 | 157,940 | - | 240,439 |

(iii) Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of its normal external trading activities where currency denomination differs from its functional currency.

Foreign exchange exposures in transactional currencies other than functional currencies are kept to an acceptable level. The group does not engage in foreign currency hedging in respect of its foreign currency exposures but the management monitors these exposures on an ongoing basis.

(iv) Liquidity Risk

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

(b) Fair Values

(i) Recognised Financial Instruments

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company.

(ii) Unrecognised Financial Instruments

There were no unrecognised financial instruments as at 31st December 2009.

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 2009 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.

On behalf of the Board,

PALANIAPPAN A/L RAMANATHAN CHETTIAR

NADARAJAH A/L MANICKAM

Kuala Lumpur
Date: 27th April 2010

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 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 27th April 2010.

Before me,

ZULKIFLA MOHD DAHLIM
Commissioner for Oaths (No. W541)

Independent Auditors' Report

to the members of SMR Technologies Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SMR Technologies Berhad, which comprise the balance sheets as at 31st December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 34 to 78.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31st December 2009 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) The auditors' reports on the financial statements of the 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.

Independent Auditors' Report

to the members of SMR Technologies Berhad (Incorporated in Malaysia)
[cont'd]

OTHER MATTERS

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/10(J/PH)
Partner

Kuala Lumpur
Date: 27th April 2010

Group's Property

| Location | Description | Tenure | Existing Use | Built-up Area | Age of Building (years) | Net Book Value as at 31.12.2009 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 | 4 | 3,802 | 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 in Note 22 to the Financial Statement.

Analysis of Shareholdings

as at 30 April 2010

SHAREHOLDINGS STRUCTURE

| | |
|--------------------------------|----------------------------------|
| Authorised Share Capital | : RM25,000,000 |
| Issued & paid up Share Capital | : RM14,666,666 |
| Class of Shares | : Ordinary Shares of RM0.10 each |
| Voting Rights | : One vote per share |

DISTRIBUTION OF SHAREHOLDINGS

| Size of Holdings | No. of Holders | % | No. of Share | % |
|---------------------|----------------|---------------|--------------------|---------------|
| 1 - 99 | 59 | 4.91 | 2,773 | 0.00 |
| 100 - 999 | 51 | 4.25 | 12,186 | 0.01 |
| 1,000 - 4,999 | 187 | 15.57 | 463,437 | 0.32 |
| 5,000 - 10,000 | 190 | 15.82 | 1,336,289 | 0.91 |
| 10,001 - 100,000 | 577 | 48.04 | 19,905,176 | 13.57 |
| 100,001 - 1,000,000 | 129 | 10.74 | 33,018,172 | 22.51 |
| Over 1,000,000 | 8 | 0.67 | 91,928,633 | 62.68 |
| TOTAL | 1,201 | 100.00 | 146,666,666 | 100.00 |

DIRECTORS' SHAREHOLDINGS

| Directors | Direct | | Indirect | |
|---|---------------|------|--------------|----------------------|
| | No. of Shares | % | No. of Share | % |
| 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 | - | - | - | - |
| Venkiteswaran Sankar | - | - | - | - |

Notes:

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

SHAREHOLDERS' HOLDINGS WITH 5% AND ABOVE

| Name | Direct | |
|-------------------------------------|---------------|-------|
| | Shareholdings | % |
| Special Flagship Holdings Sdn. Bhd. | 55,999,972 | 38.18 |
| Fikir Wawasan Sdn. Bhd. | 18,435,508 | 12.57 |

Analysis of Shareholdings

as at 30 April 2010

[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 Wawasan Sdn. Bhd. | 18,435,508 | 12.57 |
| 3 | Tan Chin Yong | 4,919,666 | 3.35 |
| 4 | Palaniappan A/L Ramanathan Chettiar | 4,000,411 | 2.73 |
| 5 | RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Mohamad Azril Bin Abdul Razak (CEB)</i> | 2,976,266 | 2.03 |
| 6 | Chhoa Kwang Hua | 2,266,666 | 1.55 |
| 7 | Mercsec Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Bukit Fajar Sdn. Bhd.</i> | 1,966,800 | 1.34 |
| 8 | Chuah Guat Kooi | 1,363,344 | 0.93 |
| 9 | Cimsec Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Low Ngok Ming (Taman Cheras)</i> | 913,400 | 0.62 |
| 10 | Mayban Securities Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Mohd Noor Bin Mohd Idris (REM 822)</i> | 910,666 | 0.62 |
| 11 | Public Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Tan Chee Beng (E-PPG)</i> | 868,400 | 0.59 |
| 12 | Tan Soo Sum | 800,000 | 0.55 |
| 13 | Public Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Yeo Tze Mian (JBU/AMI)</i> | 737,200 | 0.50 |
| 14 | Pauline Asha Joseph | 698,900 | 0.48 |
| 15 | Lee Ah Yew | 652,000 | 0.44 |
| 16 | Fan Choon Fook | 590,000 | 0.40 |
| 17 | Lim Eng Hock | 581,000 | 0.40 |
| 18 | Kalaimani A/L Subramanian | 554,400 | 0.38 |
| 19 | RHB Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Koh Han Foo</i> | 514,533 | 0.35 |
| 20 | Lok Kum Choy | 489,000 | 0.33 |
| 21 | Ng Swee Chiang | 468,000 | 0.32 |
| 22 | HDM Nominees (Asing) Sdn. Bhd. <i>Beneficiary : Dbs Vickers Secs (S) Pte. Ltd. for Lim Meng Seng</i> | 466,666 | 0.32 |
| 23 | RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Phoa Boon Ting (CEB)</i> | 466,666 | 0.32 |
| 24 | Sieh Joo Shiong | 466,666 | 0.32 |
| 25 | Mayban Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Cheong Seong Keng</i> | 450,000 | 0.31 |
| 26 | Mayban Securities Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Chai Ming Yau (R78-MARGIN)</i> | 426,533 | 0.29 |
| 27 | Mayban Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Tan Teck Keong</i> | 414,000 | 0.28 |
| 28 | Lim Chin Teck | 412,000 | 0.28 |
| 29 | Lee Yew Man | 411,000 | 0.28 |
| 30 | RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary : Pledged Securities Account for Ooi Lee Peng (MLK/SS)</i> | 400,200 | 0.27 |
| TOTAL | | 104,619,863 | 71.33 |

This page is intentionally left blank.

This page is intentionally left blank.

Form of Proxy

I/We _____ NRIC/Company No. _____
(Block Letters)

of _____

being a member/members of **SMR TECHNOLOGIES BERHAD**, do 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 Sixth Annual General Meeting of the Company to be held at Dewan Selangor, Level 3A, Tower 2, Menara PGRM, No.6 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur on Wednesday, 2 June 2010 at 9.30 a.m and at any adjournment thereof.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:

First Proxy (A) %

Second Proxy (B) %

My/Our proxy/proxies is/are to vote as indicated below :

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

| NO | RESOLUTIONS | | FOR | AGAINST |
|----|---|-----------------------|-----|---------|
| 1 | Receive Audited Financial Statements and Reports | Ordinary Resolution 1 | | |
| 2 | Approval of Directors' Fees | Ordinary Resolution 2 | | |
| 3 | Re-election of Director – Dr Nadarajah A/L Manickam | Ordinary Resolution 3 | | |
| 4 | Re-appointment of Auditors | Ordinary Resolution 4 | | |
| 5 | Approval for Directors to issue shares pursuant to Section 132D of the Companies Act 1965 | Ordinary Resolution 5 | | |
| 6 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | Ordinary Resolution 6 | | |

| Number of Shares |
|------------------|
| |

Date _____

Signature of Shareholder/
Common Seal

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 appointer or his/her attorney duly authorized in writing, or if the appointer 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.

Fold This Flap For Sealing

Then Fold Here



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

1st Fold Here