
6. INDUSTRY OVERVIEW AND OUTLOOK

6.1 Malaysian Economy

The Malaysian economy expanded by 4.1% in the second quarter of 2005. Private sector activity continued to be the main driver of growth.

Domestic demand increased by 5.6%, underpinned by strong private consumption spending and continued increase in private investment activity. Stable income and employment, amidst high export earnings and savings, as well as competitive credit market conditions, contributed to positive consumer confidence and consumer spending. Indicators of consumption spending such as credit disbursed for consumption purposes and consumer-oriented businesses as well as imports of consumption goods point to robust underlying demand.

Gross fixed capital formation rose by 6.7%, supported mainly by private investment. The resilience in private capital spending was evident in the strong growth in imports of capital goods for capital expansion and upgrading of technology and the expansion of lending to the business sector.

Despite the higher petroleum-related expenditure, improved revenue collection by the Federal Government has contained the fiscal deficit at RM2.7 billion or 2.3% of GDP in the second quarter of 2005.

On the supply side, the services sector continued to provide the main impetus to growth. Strong consumer spending, increased tourist arrivals and improved business activity led to growth of 5.4% in the services sector. In particular, the wholesale and retail trade, hotels and restaurants; transport, storage and communication; and electricity, gas and water sub-sectors, continued to experience robust growth in line with expansion in private sector activities. Value added in the manufacturing sector increased by 3.2% during the quarter. Output of electronics and electrical products improved, supported mainly by external demand for computer and computer-related products. Performance of selected resource-based industries, namely chemical products and off-estate processing industries, continued to sustain double-digit growth to support the expansion in the export-oriented industries, which more than offset the decline in the output of selected domestic-oriented industries.

During the quarter, inflation edged up to 3% reflecting mainly cost adjustments arising from higher input prices. Demand-driven price pressures remained moderate. Meanwhile, conditions in the labour market continued to improve as the number of vacancies increased significantly in the second quarter. The strength in the labour market was also supported by strong growth in productivity.

(Source: Bank Negara Malaysia –Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2005)

6.2 Outlook of the Malaysian Economy

Prospects for the Malaysian economy in the second half-year remain favourable. Global demand is expected to be sustained in the second half of the year based on the favourable indicators emerging recently from the USA, Japan and the euro area, and further reinforced by the expected improvement in the global electronics sector in the latter part of the year. In the USA, consumption spending is expected to remain strong underpinned by the buoyant housing market. For semiconductor products, industry experts have revised upwards their growth forecast for 2005 as a whole. The favourable external environment is therefore expected to support the expansion in domestic demand.

(Source: Bank Negara Malaysia –Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2005)

During the Eight Malaysia Plan period, the principal thrust of human resource development will be the creation of a strong human resource base to support the development of a knowledge-based economy and enhance productivity and competitiveness. In this regard, efforts will be undertaken to develop an efficient and responsive education and training system to meet the demand for a knowledgeable and highly skilled labour force that is equipped with positive values and attitudes. Special emphasis will be given to produce a larger number of higher level R&D and science and technology manpower.

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

A trained workforce with the potential and ability to optimize the use and development of new technologies and materials will continue to be important in ensuring growth and resilience of the economy during the Eight Malaysia Plan. There will be increasing investment in human capital, with greater emphasis on nurturing creativity and cognitive skills to provide the impetus for the knowledge-based economy. The education and training system will be geared to produce multi-skilled and knowledge manpower that is versatile, willing to learn continuously, technopreneurial as well as with the ability to acquire and apply knowledge, particularly in modern technology.

(Source : Eighth Malaysia Plan 2001- 2005)

6.3 Prospects of the Packaged Software Market in Malaysia

Packaged Software Market Size in Malaysia, 2004

The Malaysia packaged software market is expected to experience a growth of 6.4% to reach revenues of US\$356.3 million in 2004, increasing from US\$334.7 million in 2003. The compound annual growth rate of the software market from 2003-2008 is expected to be 7.1%.

Review by Primary Market in Malaysia, 2004

The packaged software market is made up of three primary markets, namely:

- ◆ **Applications market (where SMRT products fall into)**
- ◆ System Infrastructure Software market
- ◆ Application Development and Deployment Software market

In 2004, applications make up the largest proportion of the software market with a share of 51.8% and a value of US\$184.7 million. This was followed by system infrastructure software (25.8% market share) and application development and deployment software (22.4% market share).

Applications Market Overview in Malaysia, 2004

According to IDC's definition, the application market includes both business and consumer applications. Business applications, in turn, consist of enterprise applications and non-enterprise business applications such as collaborative, content-management, authoring and speech-and-translation applications. Consumer applications include software products for recreation, education and/or personal productivity enhancement.

In 2004, Malaysia applications software license and maintenance revenue is expected to reach US\$184.7 million. Within the applications segment, the single largest segment was the ERM (Enterprise Resource Management) market segment (which is where HR software is classified). This specific market is worth US\$77.3 million in 2004.

Human Resources Management and Payroll Processing Applications

In IDC's definition of the HR market, IDC defines the HR market as both human resources management and payroll processing applications. Human resources management and payroll processing software includes applications that cover the entire span of an employee's relationship with the corporation (as opposed to the department or group to which the employee belongs) as well as management of other human resources used by the enterprise (e.g., contingent labour, contractors), including - increasingly - human resources employed by suppliers and customers.

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

The market also covers a growing set of applications for such functions as incentive compensation (as in the case of Siebel's employee relationship management products) as well as enterprise workforce management components that include predictive screening, workforce resource utilization, and compensation analysis.

Other functions involve payroll processing, résumé tracking, recruitment, applicant tracking, training scheduling, skills inventory management, intellectual capital management, career and succession planning, government compliance, time and attendance management, and workforce scheduling. These products are being deployed on both horizontal and vertical levels.

Trends in HR Services

Increasing interest among COOs (Chief Operating Officers) and CFOs (Chief Financial Officers), as well as senior vice presidents of HR and finance, in HR measurement and scorecarding has led financial and HR consulting firms to focus on HR measurement and analytics.

Trends in HR Outsourcing Services

HR Outsourcing, is an area of opportunity for SMRHRT. HR outsourcing, in particular HR BPO (Business Process Outsourcing), continues to become more established as a strategic option for organizations in optimizing HR processes, gaining access to newer technologies, streamlining vendors to HR, and delivering greater measurement and reporting capabilities.

Trends in eLearning

eLearning, which is a complementary product to HR management, is SMRHRT's differentiation among HR providers. By offering eLearning as an additional module, it complements the role of HR to be able to add value by training employees. The corporate eLearning market is expected to reach US\$345 million in Asia/Pacific (excluding Japan) by 2006.

(Source : IDC Report)

6.4 Market opportunity

The Current State of the Market

The idea of enterprise WPM (Workforce Performance Management) is very early in its life cycle. Today, most organizations address WPM using a mix of paper-based methods and general desktop applications. To most, a WPM "system" consists of annual — and often inconsequential — performance reviews. There are several drawbacks to this single event-based method. First of all, annual reviews are often seen as cumbersome. The process is time consuming and labor intensive. Many hours of administrative coordination are necessary to track the process by department or business unit to ensure the review process takes place and the documents are completed and stored for every single employee. Second, although valuable, they are often low priority for review, as the business of everyday operations takes first place, and goals are often forgotten days after the review has taken place. Last, there is no easy way to search completed forms and create comparative metrics to help managers in the decision making for performance-related incentives such as promotions and compensation.

These drawbacks have manifested themselves in recent IDC demand-side research. Despite the inherent importance of organizational commitment to the interests of the immediate enterprise, only 54% of senior training professionals recently surveyed by IDC indicated that their organizations' employees are well aware of their role in delivering on the organization's strategy. Apparently, chief executives and managers need to communicate more effectively with their employees. Not surprisingly, such a lack of awareness is typically worse at large enterprises. Even fewer, 47% of respondents, believe that job role competencies are well defined at their organizations. Poorly defined competencies make it difficult for both individuals and organizations to leverage their strengths and take action to address their weaknesses.

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

The importance of competency management and evaluation is key to the success of WPM. In several case studies by IDC (in a document authored with Bersin & Associates) dated July 2003, emphasized that "competency tracking will enhance learner performance by enabling employees to receive feedback on their skills and by prescribing training that fulfills gaps. A project to identify 10-15 competencies for each major job role is currently under way in a major organization. An IT tool will be used to track skill levels, with input from course assessments, student self-assessments, and managerial assessments." In another case study, competency management and evaluation helped a global company to standardize its heterogeneous training practices throughout the globe. "Each geographic location maintained its own training practices and records of the certification and training of the local employees. As a result, the training and competency levels varied throughout the organization, exposing the company to unpredictable risk in various geographies, since each local has different practices for assessing risk. The company has now established its own levels of competency in various job categories to enable consistent monitoring of staff capabilities across geographies."

Position of the SMRT Group

In this respect, what SMRHRT is doing is creating a niche product for a market that is at the very beginning of its life cycle. This niche market is more concerned with the productivity and competency of the employee and the effect on the company's bottom line, than rather operation HR matters such as payroll and time keeping. As a HR practitioner, SMR's experiences in the corporate world can influence the design on SMRHRT's software and functionality in a positive way.

The worldwide market opportunity is large, reaching US\$5.1 billion by 2008 and the HR BPO market is expected to be almost 4 times larger at US\$19 billion by 2008. SMRHRT with its core focus on HR solutions, should be able to make a place for itself in the global marketplace, where SMR has already penetrated.

In Malaysia, the software license market alone for HR Management software (excluding Payroll software which SMRHRT does not compete in), is worth USD 6.13 million in 2004. In this market, SMRHRT is next to SAP in sales revenue of its software. With the Proposed Listing of SMRHRT there is further potential of SMR to compete with the "bigger boys".

Finally, there are lots of opportunities in provisioning of consulting and implementation services as well, as the software alone is not the entire solution. The additional revenue opportunities from HR consulting and implementation services are an added opportunity.

SMRHRT's competitiveness in the area of Human Capital Development and the provision of a comprehensive range of HRM Competency Systems and Related Services stem from:

- Early mover advantage
- More focused on Competency Management rather than Payroll applications (e.g. Orisoft)
- User-friendly system
- Fast deployment without restriction to hardware, software, operating systems or geographical area
- Multi language features including Arabic, Japanese, Malay and Mandarin.
- Ability to integrate with other existing HR systems
- Having already created a HR Community of HR Practitioners and Professionals through its associated ownership and organization of the yearly ASIA HRD Congress for the last 27 years.
- The Founder of the Company, Dr R. Palan is recognized worldwide for his 'know how' on Competency Management where his keynote addresses at worldwide conferences are itself an established marketing material. He also has a network of trained and accredited professionals.
- Future road-map will shows that SMRHRT is going to be a Total HR Solutions Provider.

(Source : IDC Report)

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

6.5 Industry players and competition

The HR market has attracted many IT companies to develop HRMS solutions. IDC has counted at least 17 other companies in the MSC who profess to have a HRMS solution. Many of these vendors concentrate on payroll and time and attendance systems.

SMRHRT business is focused on a niche market and being competitive in the area of Human Capital Development and the provision of a comprehensive range of Human Resource Management Competency Systems and Related Services (including eLearning and HR Outsourcing services). This positioning means that it is offering a niche solution targeted at customers, who have requirements on competency management, rather than HR management and payroll. It also provides a logical extension for customers to outsource their learning functions. IDC believes that SMRHRT with their continuous focus on this segment of the market, will give them the differentiation strategy against its competitors who typically would integrate HRMS into the Enterprise Resource Management functions.

(Source : IDC Report)

6.6 Demand/supply conditions

The price sensitive buyer holds a high bargaining power over the vendor as the fragile regional economy entails careful evaluation of any purchases concerning IT equipment and products. Therefore, investments in IT are often strategically viewed as 'necessary evils' in the enterprise sector. However, things are changing, as competency management is seen to be critical for Workforce Performance Management. This is due mainly to the emergence of a knowledge economy and the environment by which companies operate in today.

While it is almost true that customers have more choice in the market in the HR applications market, SMRHRT's niche focus on Human Resource Management Competency Systems make it unique in the marketplace. HRDPower is also designed to be self-manageable to ensure that it can meet its customers' current as well as future needs. With that differentiating factor, buyer's bargaining power is reduced.

(Source : IDC Report)

The successful implementation of the HRDPower™ software system as proven from the existing list of clientele from various industries both locally and abroad in thirty-one (31) countries reflects the technical viability of the HRDPower™ software system and business processes. The IP and trademarks are part of the HRDPower™ software system, which are owned by SMRHRT.

The SMRT Group's clients include worldwide multinational companies from various industries particularly companies which have greater motivation to self-regulate themselves on HR and competency and performance management or is motivated by national regulation changes to improve their performance. The Group's high priority target industries include airlines, banking and finance, information technology, manufacturing, hospitality (hotel / hospital), shipyards, power generation and emergency services such as fire services.

6.7 Substitute products and services

The threat of substitute products is relatively low. It would be costly in both monetary and technical perspective to switch to another brand or platform. The threat of substitute products such as manual labor and equipment are also low since computerization and automation yields benefits to the organization that are hard to replace as they were intended to replace manual and repetitive labor in the first place. As the organization grows, the costs are exponentially higher, creating a need to automate in the end. Players in the software market would feel the real pressure of substitutes that lie in the way that software is sold in the future, as a service rather than a product. This means longer-term contracts on a recurring fee-based mode, which has the potential to lock-in customers to the software on a longer-term basis.

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

The effect due to substitutes in the market for SMRHRT is relatively low. The features and capabilities of HRDPower offers a niche solution that is attractive to customers. Switching to other products by the client would entail a higher cost due to the cost of migrating the existing practices to a newer platform or an internet (hosted) platform.

(Source : IDC Report)

The SMRT Group which strives on human capital development and the provision of a comprehensive range of HR competency and performance management solutions and related services including web based on-line learning and HR outsourcing services thus providing niche products for a niche market which is essentially concerned with workforce performance management. SMRT is thus unlike other HR solution providers who mainly focus on operational HR matters such as payroll and time keeping. As the other software houses develop software that addresses HRM issues, the SMRT Group instead focuses on HRD, competency and performance. Thus, the SMRT Group's products reach a niche and selected market. Though the software is required by a particular division i.e. Human Resources Development division, it affects the entire organisation through the workforce performance management. The specialised nature of HRDPower™ complements rather than competes with the other HRM products

The HRDPower™ software system is unique as it is relevant and imperative for the growth of an organization. The SMRT Group provides a differentiated product by focusing on the productivity and competency of the employees and the effects on an organisation's bottom line thus making HRDPower™ software system unique in the marketplace. HRDPower™ software system is also designed to be self-manageable to ensure that it can meet its customers' current as well as future needs. As it is not an off-the-shelf software but one which can be customised to meet the critical needs of organisations, HRDPower™ software system has a longer product life cycle than most typical software products.

The HRDPower™ software system powers competency development and performance management by providing the analytics required for achieving superior performance. It is based on current technologies such as VB6 (Visual Basic Version 6), VB.net and ASP.net; high-level security features and multi-lingual capabilities by optimising the code rather than rewriting the code. The product can interface with any database (Oracle, SQL server, DBII, mySQL) and with any device such as desktop and mobile devices. It is also developed to enable rapid implementation and deployment of human resources within weeks rather than months or years. The system provides for value based HR by being enterprise driven rather than being transactional through the web-enable facilities.

7. FINANCIAL INFORMATION

7.1 Proforma Consolidated Income Statement

The table below sets out a summary of the proforma consolidated income statements of the SMRT Group prepared based on the audited results for the nine (9)-month period ended 30 September 2005 and the past four (4) financial period / years ended 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004, prepared based on the assumption that the current structure of the SMRT Group has been in existence throughout the periods under review. The proforma consolidated income statement is presented for illustrative purposes only and has been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

	Financial period/years ended 31 December				9-month period ended 30 September 2005 RM
	2001 RM	2002 RM	2003 RM	2004 RM	
Revenue	112,191	207,437	2,026,285	4,205,703	5,827,158
Cost of sales	-	(1,205)	(648,454)	(1,006,967)	(2,354,922)
Gross Profit	112,191	206,232	1,377,831	3,198,736	3,472,236
EBITDA	105,251	50,353	1,494,964	2,913,356	3,042,212
Interest expense	-	-	-	(90)	(2,771)
Interest income	-	-	-	-	-
Amortisation of development costs and IP rights	-	-	(220,000)	(222,894)	(227,676)
Amortisation of goodwill	-	-	-	(478,710)	(50,110)
Depreciation	-	(1,372)	(1,372)	(30,594)	(81,755)
Profit before exceptional items	105,251	48,981	1,273,592	2,181,068	2,679,900
Exceptional items	-	-	-	-	-
Profit before taxation	105,251	48,981	1,273,592	2,181,068	2,679,900
Taxation	-	-	-	-	-
Net profit for the period/year	105,251	48,981	1,273,592	2,181,068	2,679,900
Number of new SMRT Shares assumed in issue ⁽¹⁾	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Gross EPS (Sen)	0.15	0.07	1.82	3.12	⁽²⁾ 3.83 ⁽³⁾ 5.10
Net EPS (Sen)	0.15	0.07	1.82	3.12	⁽⁴⁾ 3.83 ⁽⁵⁾ 5.10

Notes:-

- (1) Being the number of SMRT Shares in issue after the Acquisition of SMRHRT, Bonus Issue and Share Split but prior to the Public Issue.
- (2) Based on actual profit before taxation of RM2,679,900.
- (3) Based on annualised profit before taxation of approximately 3,573,200.
- (4) Based on actual net profit for the period of RM2,679,900.
- (5) Based on annualised net profit for the period of approximately RM3,573,200.

There were no extraordinary and exceptional items in the financial periods / years under review.

7. FINANCIAL INFORMATION (Cont'd)

7.2 Segmental Analysis of Financial Information

7.2.1 Analysis of revenue

- ◆ The analysis of revenue by products for the past five (5) financial periods/years ended 31 December 2001, 31 December 2002, 31 December 2003, 31 December 2004 and 30 September 2005 are set out below:-

	Financial period/years ended 31 December				9-month period ended 30 September 2005 RM
	2001 RM	2002 RM	2003 RM	2004 RM	
HRDPower™	96,804	177,084	1,198,898	3,941,463	4,546,461
Other products and services	15,387	30,353	827,387	264,240	1,280,697
Total	112,191	207,437	2,026,285	4,205,703	5,827,158

- ◆ The analysis of revenue by regions for the past five (5) financial periods/years ended 31 December 2001, 31 December 2002, 31 December 2003, 31 December 2004 and 30 September 2005 are set out below:-

	Financial period/years ended 31 December				9-month period ended 30 September 2005 RM
	2001 RM	2002 RM	2003 RM	2004 RM	
Malaysia	88,548	188,556	1,577,893	3,123,153	1,681,789
Asia	975	2,135	205,859	278,732	1,774,761
Australia	22,668	12,816	6,320	59,413	304,032
USA	-	3,930	6,550	72,195	1,038,995
Qatar	-	-	-	169,750	150,000
UAE	-	-	229,663	310,960	654,560
Bahrain	-	-	-	191,500	223,020
Total	112,191	207,437	2,026,285	4,205,703	5,827,158

7.2.2 Analysis of profit

The analysis of profit by products/regions for the past five (5) financial periods/years ended 31 December 2001, 31 December 2002, 31 December 2003, 31 December 2004 and 30 September 2005 is not available.

Analysis of profit by products/regions is not available because the cost of sales by product/region are not available. The consultant costs, which constitute a high percentage of the total cost of sales, are paid for doing multi-tasking roles, i.e. consultancy, customisation, implementation, maintenance, training, assessment and evaluation of existing HR systems. Furthermore, unlike a normal manufacturing process, whereby the cost of each product is able to be determined separately, software costs and capital outlay is expensed during the development stage. There would not be any software costs incurred when implementing or delivering a sale except for the implementation and consulting costs. Profits in this instance are generated from economies of scale and as most implementation is done on multiple projects or can be sold in different packages, analysing the gross profit against revenue would be more accurate. Hence, the SMRT Group's accounting system was not set up to analyse cost of sales by product/region.

7. FINANCIAL INFORMATION (Cont'd)

7.3 Analysis and Commentary on Financial Information

(i) Revenue Analysis

The historical performance of the SMRT Group is reflected by the performance of its subsidiary SMRHRT.

The proforma consolidated audited revenue for the SMRT Group as tabulated below for the financial period from 26 January 2001 (date of incorporation of SMRHRT) to 31 December 2001, the financial years ended 31 December 2002 to 2004 and the nine (9) month financial period ended 30 September 2005 are set out below, for illustrative purposes only, on the assumption that the SMRT Group has been in existence throughout the periods/years under review and which are to be read in conjunction with the notes thereto.

	Financial period / years ended 31 December				9-month period ended 30 September 2005
	2001	2002	2003	2004	
Revenue (RM)	112,191	207,437	2,026,285	4,205,703	5,827,158
Growth rate (%)	⁽³⁾ N/A	84.90	876.82	107.56	⁽¹⁾ 38.55 ⁽²⁾ 84.74

Notes:-

- (1) Growth rate calculated based on actual revenue of RM5,827,158.
- (2) Growth rate calculated based on annualised revenue of approximately RM7,769,544.
- (3) Growth rate for 2001 is not available because SMRHRT was not in existence prior to 2001.

The revenue is contributed by SMRHRT's software development activity and coupled with technical consultation and implementation services. Revenue is recognised upon services rendered to customers and represents invoiced value less trade discount.

Group revenue was lifted by 84.90% in year 2002 from period 2001. The increase was mainly attributable to the improvement in the industry awareness towards the usage of information technology to improve efficiency of works, monitoring and assessing staff performance.

Group revenue recorded further improvement of 876.82% in year 2003 as compared to the corresponding year. The significant improvement arose mainly from the newly launched product, SMRTraining Power and the continuing popularity of the existing product, HRDPower™ software system. In addition, revenue from technical consultation and implementation services and maintenance charges have contributed positively in line with the increase in revenue from software development activity.

Group revenue continued to show an increasing trend in year 2004 and nine (9)-month period ended 2005. The favourable trend was mainly due to the sales of the HRDPower™ software system, which recorded a sale of RM3.9 million in year 2004, more than three (3) times the sales of the HRDPower™ software system in year 2003, whilst for the nine (9)-month ended 2005, based on the annualised sales of the HRDPower™ software system of RM6,061,948, sales of the HRDPower™ software system increased further by more than one and a half (1.5) times as compared to year 2004. In addition, the long standing credibility of Dr. Palan in the field and the technical expertise of the design and development team have supported SMRT's efforts in the market place to attract and retain customers. Furthermore, the increase was also attributed by aggressive promotions, advertisements and other marketing efforts such as HRD Congress conference and exhibition.

7. FINANCIAL INFORMATION (Cont'd)

(ii) Profit Analysis

Gross profit

	Financial period / years ended 31 December				9-month period ended 30 September 2005
	2001	2002	2003	2004	
Gross profit margin (%)	100.00	99.42	68.00	76.06	⁽¹⁾ 59.59 ⁽²⁾ 59.59

Notes:-

- (1) Based on actual revenue and gross profit of RM5,827,158 and RM3,472,236 respectively.
(2) Based on annualised revenue and gross profit of approximately RM7,769,544 and RM4,629,648 respectively.

The drop in the gross profit margin in year 2003, 2004 and period 2005 was mainly due to the amortisation cost of development and intangible asset and higher direct costs.

Pretax profit margin

	Financial period / years ended 31 December				9-month period ended 30 September 2005
	2001	2002	2003	2004	
Pretax profit margin (%)	93.81	23.61	62.85	51.86	⁽¹⁾ 45.99 ⁽²⁾ 45.99

Notes:-

- (1) Based on actual revenue and profit before taxation of RM5,827,158 and RM2,679,900 respectively.
(2) Based on annualised revenue and profit before taxation of approximately RM7,769,544 and RM3,573,200 respectively.

At the pretax profit margin level, there was a decrease from 93.81% in period 2001 to 23.61% in year 2002. The decrease was largely attributed to the expansion of the business of SMRHRT which resulted in the increase in the operational and administrative expenses such as rental and salaries being incurred in year 2002 whereas such costs had not been incurred in 2001 as the Company had just been formed.

The pretax profit margin rose to 62.85% in year 2003 and 51.86% in year 2004 as a result of improved sales through the commercialisation of HRDPower™. The sales were mainly from Malaysia and countries such as UAE, Singapore and Indonesia as evidenced from the increase in revenue as explained in section 7.3(i) of this prospectus. The R&D activities in earlier years generated the additional revenue in year 2003 and 2004. This has benefited the Group in year 2003 and 2004 as shown in the improved pretax profit margin. However, the higher operating expenses reduced the pretax profit margin to 45.99% during the 2005 period.

7. FINANCIAL INFORMATION (Cont'd)

Profit after taxation

	Financial period / years ended 31 December				9-month period ended 30 September 2005 RM
	2001 RM	2002 RM	2003 RM	2004 RM	
Profit after taxation	105,251	48,981	1,273,592	2,181,068	2,679,900

The fluctuation of profit after taxation for the periods/years under review are in line with the variation of gross profit margins and the pretax profit margins as set out above.

7.4 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, the Directors of SMRT are of the view that the financial performance, position and operations of the Group are not affected by any of the following:-

- (i) known trends, demands, commitments, event or uncertainties that have had or that the Group reasonably expects to have, a material or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) material capital expenditure commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

7.5 Working Capital, Borrowings, Material Litigations, Material Commitments and Contingent Liabilities

(i) Working capital

The Directors of SMRT are of the opinion that after taking into account the cashflow projections and proceeds to be raised from the Listing, the SMRT Group will have adequate working capital for a period of twelve (12) months from the date of issuance of this Prospectus.

(ii) Borrowings

As at the Latest Practicable Date, the SMRT Group does not have any borrowings.

(iii) Material Litigations

As at the Latest Practicable Date, the Group is not engaged in any material litigation, either as plaintiff or defendant, which has a material and adverse effect on the financial position or business of the Group and the Directors of SMRT have no knowledge of any proceedings pending or threatened against the Group or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

(iv) Material Commitments

As at the Latest Practicable Date, the Directors of SMRT are not aware of any material commitments contracted or known to be contracted by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

7. FINANCIAL INFORMATION (Cont'd)

(v) Contingent Liabilities

As at the Latest Practicable Date, the Directors are of the opinion that the Group has no contingent liabilities which, upon materialisation would have a material impact on the financial position and business of the Group.

7.6 Trade Receivables Ageing Analysis based on the latest audited accounts as at 30 September 2005

The SMRT Group monitors its credit policy closely and takes reasonable steps such as regular monthly statements and monthly telephone follow-ups to ensure collections are within the acceptable period. The trade receivables ageing analysis based on the latest audited accounts as at 30 September 2005 are as follows:-

	< 30 days	31-90 days	91-120 days	>120 days	Total
	RM	RM	RM	RM	RM
Trade receivables as at 30 September 2005	816,867	1,058,850	856,368	95,162	2,827,247
Collected up to the Latest Practicable Date	(491,867)	(1,058,850)	(856,368)	(84,000)	(2,491,085)
Balance	325,000	-	-	*11,162	336,162

Note:

* Full allowance was effected on this amount in the management accounts for the period ended 31 October 2005.

Up to the Latest Practicable Date, SMRT Group has collected RM2,491,085 of RM2,827,247 representing approximately 88.11% of the trade receivables as at 30 September 2005.

7.7 Impact of Foreign Exchange / Interest Rates / Commodity Prices on Operating Profits

There is no material impact of foreign exchange, interest rates or commodity prices on the Group's historical profits for the past five (5) financial periods/years ended 31 December 2001, 31 December 2002, 31 December 2003, 31 December 2004 and 30 September 2005.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN

The objective of the SMRT Group is to provide a one-stop digital centre for human capital development in the digital age. The SMRT Group aims to be one of the largest HR competency and performance management solutions provider for businesses not only in Asia, but also worldwide by positioning itself as a high value medium price provider developing cost effective solutions.

8.1 The Vision of the SMRT Group

Vision Statement

“ To be recognised as Asia’s premier technology company in human resource development.”

Mission Statement

“ To help people to learn and perform through the effective use of technology.”

Company Commitment/Value

- ◆ Innovation – continuous R&D
- ◆ Customer delight – service excellence
- ◆ Sense of ownership
- ◆ Respect for people
- ◆ Life long learning

Implementation of Business Intent

The SMRT Group’s pledge is to continue the excellent quality of SMRT Group’s products and services and strive to excel in its field of endeavours. The management of the Group believes that the level of the Group’s customers’ satisfaction determines the level of the Group’s success.

SMRHRT has come a long way since it started on 26 January 2001. It is proud that it has achieved success as a company with MSC status, which gives it recognition as one of the leading companies in its field in the ICT industry in Malaysia. Today, the SMRT Group’s total commitment to the ICT industry has enabled it to compete worldwide. In its own homeland, Malaysia, based on the IDC’s market share analysis, it is recognised as one of the market leaders who is able to provide competency and HR management resources products and services to any industry. As part of its continuous growth plan, the SMRT Group is developing and widening its network to include other industrial and economic sectors outside Malaysia.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

8.2 Business Strategies

The Directors of SMRT recognise that continuous R&D plans are crucial for the Group to compete effectively. Prior to the R&D of a new product, the Group will explore the needs and the market potential for such a product to ensure that the resources invested will be justified by the income generated from it in the future.

The SMRT Group's R&D plans in the next few years include efforts to propel the Group into the global industrial and enterprise forefront as the cutting-edge, all-in-one, HRM provider for medium to large enterprises, combining best-of-class technologies with best-of-breed knowledge in competency management and HRD processes.

The primary R&D strategy of the SMRT Group is to reinforce the Group's position in global HRD and competency management. This involves enhancing further the present suite of software applications under the System to accommodate feedback on functionalities from its customers. A central theme will be to add HRM functions to the software applications so as to enable continuous tracking of all movements and task, projects, postings, reliability, dependency, human capital development and queries between management and staff.

The four (4) pronged step-staggered R&D programme:-

- (i) to develop and market a HRD or eLearning alliance hub that will use new HRD technologies specific to global HRD;
- (ii) to develop new HRM functionalities such as on-line staffing, portfolio management and logistic tracking ;
- (iii) to develop and market a full-suite corporate and HRD eLearning service; and
- (iv) to develop and market collaborative HR communities that will enable www.smrhub.com as a portal hub to catalyse and mediate HRD and HRM products and services, involving HR related activities suppliers, HRM and HRD tools suppliers, technology suppliers, business process outsourcing companies, subcontractors/consultants and buyers/consortiums in an integrated eHR-Community.

The R&D team of the Group will research emerging trends and growths in the field. The R&D department will research available technologies to serve the HR needs, develop new technologies, develop content for HR digital place, and develop a development strategy for our products – both new and spin-offs. The R&D goal of the Group is to develop new products, modify existing products and innovate new functionalities to meet the needs of the market. The research team of the Group will work closely with alliance partners, content specialists, market analysts and functional specialists to meet emerging trends and growth.

The SMRT Group's success in the HRD and competency software development sector of the HRM stems from its business and revenue models and its modus operandi. The key success factors are as follows:-

(i) Astute management and advisers

The presence of an astute management team under the guidance of the Board and its professional panel of HR experts in various fields has kept the Group abreast with the trend of technological development taking place in the HR sector, as well as knowing the business, the market, the customers, and the ability to have a well-conceived implementation plan.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

(ii) 'Brick and Mortar' philosophy

Getting the basics right - To succeed, the business strategy of the SMRT Group is supported by proven business processes, financial discipline, performance measures, incentives and communication. Success does not depend on burn rate by spending millions of dollars in publicity and advertising campaigns. The 'brick and mortar' philosophy of the old economy still counts.

(iii) Early mover advantage

This is only an advantage if it is combined with an astute management which knows how to do things right with the ability to identify what works and what does not work. The Group took its early mover advantage as a window for learning and building a right mix of users from different industries.

(iv) R&D system capability

The Group's experienced R&D team has the capability to achieve flexibility and time to produce, promote, customise and implement the Group's in-house systems as opposed to most of the business application software packages from the multinationals which provide good functionality but are rigid in nature and require a long process of implementation and testing. As the Group's products are developed by HR professionals and not purely by software houses or normal programmers, the Group is able to adapt the technology to suit the needs of the HRM users.

The in-house R&D team of the SMRT Group comprises seventeen (17) engineers and designers. All of the Group's existing HRM and HRD application programmes are developed internally. The SMRT Group will continue to invest and build up a strong applied R&D team to design more powerful and enhance the operational efficiency of existing applications.

(v) Unique application

A careful and thorough market research with prudent investment timing for the kind of services and the introduction of medium to large enterprises to the Group's total HRM and HRD services will ensure a good return on investment by leading the medium to large enterprises to increase the human capital development in the global environment where they can build on their own exposure in a cost effective manner.

(vi) Revenue model

The revenue model of the SMRT Group is based on the following parameters:-

(a) Sales of the software solution to customers depending on their need

Based on the needs of the organisations, the Group can provide competency development, competency management, performance management or eLearning solutions. This allows the organisations to build their portfolio with the Group as they go along or in the event of an urgent need to implement competency based systems..

(b) Leasing the software

Leasing of software is a new concept in the industry. Organisations that do not want to invest in a one time hefty payment on the software can lease it on a quarterly basis. In addition, it usually allows the management of the organisations to make faster decisions on leasing the software as it is not a capital purchase and hence the budgetary approvals can be done at the management rather than board level.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

- (c) Customisation of the software
- The software can be customised to meet the specific needs of customers and to generate more revenue.
- (d) Implementation of the HRDPower™ software system for the organisation
- The Group's technical and functional experts can assist the organisations to implement the HRDPower™ software system, at a cost, if they do not have the resources to do so.
- (e) Annual maintenance contracts
- Annual maintenance contracts are a source of regular income for providing the help desk services to solve technical problems.
- (f) Software training
- In the event of resignations of staff who have been trained in the operations of the HRDPower™ software system in a client organisation, the need will then arise for the training of existing/new staff under competency management to operate the said system. As such, the SMRT Group facilitates this training need by providing basic training to employees of organisations who adopt the HRDPower™ software system over the web.
- (g) Accreditation training
- The Group also provides training to accredited users to sell, implement and train the users.
- (h) eLearning and digital content
- eLearning and digital content are to provide on-line training, reference and tools to convert conventional training materials.
- (i) Outsourcing services
- Outsourcing services are to assist organisations automate the transactional aspects of HR.

The Group's revenue model is based on multiple streams of revenue and it has been built upon its own experience and the market potential.

Marketing strategy:

The sales and marketing strategy of the Group is based on the following:-

(i) Product positioning through HR conferences

Positioning the product in the minds of the current practitioners through delivering keynotes in the world HRD conferences. Dr. Palan and the other professionals in the Group have actively presented the products and services at numerous conventions and trade expos around the world.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

(ii) Cost effective marketing campaigns

The Group has devised a system of cost effective marketing campaigns to expose both its products and services with active participation in HR Congresses around the world and via presentations (i.e. through distribution of CD-ROMs, books, among others) to capture the attention of targeted and potential users.

(iii) Direct mail

The Group also sends direct mail on a regular basis to potential users.

(iv) Product positioning through university HR

The Group is also working with some universities that offer HR programmes to use the Group's products. .

(v) Global brand building via HR forums and journals

The Group is embarking on a global brand building by writing articles and offering expert opinion in HR forums and journals.

(vi) Use of the web

The Group also uses the web as a cost effective tool to develop brand presence.

(vii) Partnerships with key allies and customers

The Group also partners with key allies and customers to promote its product. The Group's key allies are organisations that provide the Group with access to their members. Customers assist marketing by providing the Group with referrals.

(viii) Using valuable industry experience gained from clients

Using the experience gained from a customer in an industry may attract customers in a similar industry. The vertical and horizontal dissection provides many opportunities to the Group. Though this requires extensive research, it can be done with the right allocation of resources.

(ix) Sales and marketing through network of sales associates and accredited HRDPower™ professionals

The Group is also developing a network of sales associates and accredited HRDPower™ professionals competent to sell, implement and train in the product.

Retention Strategies:

The SMRT Group is aware that it is important to retain as well as acquire new customers. To ensure this, the Group has built the following:-

- (i) A dedicated help desk to serve the existing customers who also provide referrals to potential customers.
- (ii) A 24/7 service – unlimited e-mail and telephone service.
- (iii) As the Group has its own web server, it is able to provide its customers with additional value such as offering very competitive rates if the customers host the products on the Group's web server.
- (iv) Continuous upgrades for customers who have paid their annual maintenance contract dues.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

- (v) Market research - From the Group's experience and the regular contacts with medium to large enterprises, the Group believes that these enterprises are keen to get involved in HRD and HRM on a wider scale and their appreciation level is quickly evolving. The Group's market research and response to the needs of the medium to large enterprises have contributed towards a timely and continuous refinement of services delivery.

Future marketing strategy:

Other than the above long and short term marketing and business strategies, the SMRT Group will also embark on the following specific marketing directions towards achieving more sales:-

(i) Direct marketing

The sales team will be further strengthened by employing more quality marketing personnel together with the appointment of several marketing agents to make inroads into the medium to large enterprises within the country as well as overseas.

An attractive commission scheme to internal marketing staff and external marketing agents locally and abroad has also contributed to the winning formula of the marketing strategy.

(ii) Advertising and promotion

With more funds available from the Listing exercise, a more comprehensive awareness program could be organised to educate the public and medium to large enterprises on eCommerce and more advertising and promotional activities would be carried out through both the multimedia and external media like billboards.

(iii) After sales customer servicing and maintenance strategy

Since customers' satisfaction is of utmost importance to maintain and increase the renewal rate, plans are underway to further develop the helpdesk to promote service excellence and also to further support the R&D and marketing departments with market feedback.

(iv) Strategic alliances

As time and change are the keys to success in the IT industry, more strategic alliances would be promoted to fund and benefit from incubator companies, to tap on the vast potential of innovative solutions available both locally and overseas. Strategic alliances like these could also be diverted to cover other areas like marketing and market research to ensure more effective regional and market penetration.

(v) On-line marketing

Banner advertisement and virtual advertisement create a borderless penetration to market the Group's products and services. As the Group plans to create a HRD portal, it not only can create market awareness but also would be able to generate revenue towards this market segment.

(vi) Government and industrial association initiatives

Most government linked corporations are aware of the need to implement competency management systems in their organisations and the spillover effect would be from government agencies.

As the Group's presence on the Human Resource Development Council is already recognised, the need to use this level of networking by working closely with the state governments both locally and abroad to promote the Group's products have proven to be viable and concerted efforts are being made to sign up more of these joint development arrangements.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

Opportunities

In an opportunity analysis carried out by the Group, it has become evident that there are huge opportunities with the increasing focus on human capital management today in all sectors of the economy. The opportunities can be classified as follows:-

(i) Demographics

Demographics will affect the workplace in many ways that are totally different from the past or now. There will be younger people coming into the workplace in the next ten (10) years as compared to the last ten (10) years. There will be more job-hopping and career-hopping due to the changes and dissatisfaction in the workplace in terms of job, career progression and expectations. The failure of an organisation to meet its staff's expectations in the workplace will result in poor performance, the singular cause for failure of organisations to deliver results. This requires the careful monitoring of the competency of employees with the use of an effective system i.e. the HRDPower™ software system, to meet staff's expectations of career planning, and training needs. This will therefore minimise staff dissatisfaction.

(ii) Globalisation

Globalisation will lead to massive changes in the workplace. Virtual teams and geographically dispersed teams will become the norm in the future and they will have a need to interact on a regular basis to deliver results. With time and space no longer a major barrier due to communication technology, talent in any part of the world can be utilised by the Group. However, this talent has to be developed, retained and managed to deliver results. Again, the need for an effective competency development system will become profound.

(iii) Technology and World Wide Web

Technology will be a major enabler and the World Wide Web makes the world a small place. With the current ability to just use the Internet browser to collaborate, human capital management can only be a reality with an effective system. With the costs coming down to the emergence of components and developer tools, organisations will no longer consider human capital systems a luxury but an essential lifesaver. In future, Internet will become the backbone for people management and development. With eLearning bound to complement the on site training room, there are many opportunities for competency development and learning management systems. With the above expected future trends and growth in mind, the Group's web-enabled software which also has an eLearning module will cater to the needs for training delivery on-line.

(iv) Trends of employment

Employment trends are going towards flexibility and project options. Organisations are being required to demonstrate increasing levels of quality with decreasing costs. Governments are demanding organisations to report on their balance sheets and human capital indicators, and there is great concern over safety. Coupled with these issues, organisations are rightsizing their HR departments and outsourcing non-essential routine work. This will lead to a very strong demand for competency development, performance management and eLearning systems.

(v) A quality initiative

The target industries that the SMRT Group is focusing on at the moment are experiencing high levels of growth and this trend is expected to grow even more in the next ten (10) years. For example, the hotel industry is growing with the worldwide demand for rooms going up due to domestic tourism. With security featuring as a high priority issue, hotels have had to upgrade the competency of their staff. Similarly, in the oil related and power generation industry, there is a high emphasis on safety. With the governments and insurance company mandating the need for safety and quality standards, the need for competency development and management systems are bound to grow.

8. SUMMARY OF FIVE-YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

(vi) Mandatory issues in human capital management

The encouragement of the Malaysian government in its "Vision 2020" plan showing strong support in raising awareness and usage of IT for the development of a vibrant high-tech community augurs well for the emergence of the Internet and electronic commerce. This is further strengthened by the National ECommerce Master Plan, which covers specific areas for the promotion of eLearning with the underlying approach to encourage Malaysian companies to adopt and utilise eLearning as an active business tool for HRD. Also, the government is committed to secure foreign direct investments that have a competent and high performing workforce. This can only be achieved by continuous development and management of HR.

(vii) Outsourcing of HRD and HRM functions

According to the IDC Report, the worldwide market opportunity is large, reaching US\$5.1 billion by 2008 and the HR Business Process Outsourcing (BPO) market is expected to be almost 4 times larger at US\$19 billion by 2008. The SMRT Group with its core focus on HR solutions should be able to make a place for itself in the global marketplace.

The emergence of application service providers ("ASP"), a third-party entity that manages and distributes software-based services and solutions to customers across a wide area network from a central data centre provides opportunities to generate revenue from a new avenue.

In essence, ASPs are a way for companies to outsource some or almost all aspects of their information technology needs. They may be commercial ventures that cater to customers, or not-for-profit or government organizations, providing service and support to end-users.

According to ASPnews.com, ASPs are broken down into five (5) subcategories:

- (a) Enterprise ASPs -- deliver high-end business applications.
- (b) Local/Regional ASPs -- supply wide variety of application services for smaller businesses in a local area.
- (c) Specialist ASPs -- provide applications for a specific need, such as Web site services or human resources.
- (d) Vertical Market ASPs -- provide support to a specific industry, such as healthcare.
- (e) Volume Business ASPs -- supply general small/medium-sized businesses with pre-packaged application services in volume.

The SMRT Group will be able to tap the opportunity of becoming a specialist ASP, vertical market ASP as well as a Volume Business ASP.

(viii) Emerging markets

The emerging markets will have great potential for SMRT. With the Middle Eastern countries sourcing for multiple language capability human capital management systems, the SMRT Group is well positioned to tap the market successfully as it already has a presence through our sales partners and the products in the Middle East market ready with Arabic language capability. Another emerging market is the Eastern Europe market with countries like Russia and its surrounding countries where the Group is able to customise its products in the respective native languages of the aforesaid countries.

From a political perspective, these countries want to move away from their traditional European and American suppliers to Asian countries. Malaysia is well regarded and seen as a country that they favour to do business with. Hence, the Group, being Malaysian, stands to benefit tremendously from the goodwill to the countries.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL

9.1 Promoters / Substantial Shareholders

(i) Promoters' / Substantial Shareholders' Shareholdings in SMRT

The Promoters / substantial shareholders of the Group and their shareholdings in the Company, based on the Register of Members as at the Latest Practicable Date, before and after the Public Issue, are as follows:-

Name	Nationality/ Place of Incorporation	Before the Public Issue				After the Public Issue			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Special Flagship	Malaysia	41,999,980	60.00	-	-	41,999,980	42.00	-	-
Dr. Palan	Malaysian	26,493,010	37.85	42,006,990*	60.01	26,493,010	26.49	42,006,990*	42.01

Note:-

* Deemed interested by virtue of his shareholdings in Special Flagship and his wife, Kamatchi's, shareholdings in SMRT.

(ii) Profiles

The profile of Dr. Palan is disclosed in Section 9.2(i) of this Prospectus. The profile of Special Flagship is as follows:-

Special Flagship was incorporated in Malaysia as a private limited company under the Act on 4 June 2004. The authorised share capital of Special Flagship is RM100,000 and its issued and paid-up share capital is RM10,000. The principal activity of Special Flagship is investment holding.

The changes in the issued and paid-up share capital of Special Flagship since its incorporation to the Latest Practicable Date are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Cumulative Issued and paid-up share capital RM	Type of issue/Consideration
4 June 2004	2	2	Cash
1 September 2004	9,998	10,000	Cash

The details of the directors and substantial shareholders of Special Flagship and their respective shareholdings are as follows:-

Directors/substantial shareholders	Nationality	No. of ordinary shares of RM1.00 each	Percentage of share capital %
Dr. Palan	Malaysian	9,999	99.99
Kamatchi	Malaysian	1	0.01
Total		10,000	100.00

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

(iii) Promoters and Substantial Shareholders' Directorships and/or Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

The Promoters do not have any directorships and/or other substantial shareholdings in other public companies for the past two (2) years preceding the Latest Practicable Date.

(iv) Changes in the Promoters' and Substantial Shareholders' shareholdings in the Company Since Incorporation

The changes in the shareholdings of the Promoters and substantial shareholders since the date of incorporation of SMRT are as follows:-

Name	Nationality/ Place of incorporation	As at 14 July 2004 ⁽¹⁾		As at 3 September 2004 ⁽²⁾		As at 4 September 2004 ⁽³⁾		As at 16 December 2004 ⁽⁴⁾		As at Latest Practicable Date	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Special Flagship	Malaysia	-	-	4,166,666	60.00	4,199,998	60.00	41,999,980	60.00	41,999,980	60.00
Dr. Palan	Malaysian	1	5	2,777,084	39.99	2,799,301	39.99	27,993,010	39.99	⁽⁵⁾ 26,493,010	37.85

Notes:-

- (1) Being the date of incorporation of SMRT.
- (2) After the Acquisition of SMRT.
- (3) After the Bonus Issue.
- (4) After the Share Split.
- (5) After disposal of 1,500,000 SMRT Shares to Mr. Wong Wai Choong, a person not connected with him.

None of the substantial shareholders have any other directorship and/or substantial shareholdings in other public companies for the past two (2) years.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

9.2 Directors**(i) Profiles**

The profiles of the Directors of the Company are as follows:-

DR. PALAN, B.Sc., MA, Ph.D., A.P.T, aged 48, was appointed to the Board of Directors of SMRT as the Managing Director on 13 August 2004 and was appointed to the Board of Directors of Special Flagship as a Director on 13 August 2004. He is the founder of SMRHRT as well as Special Flagship. Dr. Palan, as he is internationally known, has extensive experience in various industries in the field of marketing, HR & Information Technology.

A technopreneur, Dr. Palan comes from a successful business family. He is the Founder/Chairman of SMR. He is an internationally recognised HRD expert with a strong IT background. He has travelled extensively. Various organisations in Asia, Australia, Europe and USA have used his services.

Dr. Palan's past and current memberships include:-

Current Memberships

- ◆ Member, Association of Psychological Type, USA
- ◆ Member, Institute of IT Training, UK
- ◆ Member, American Society of Training and Development, USA
- ◆ Member, Society of Human Resource Management, USA
- ◆ Member, Chartered Institute of Personnel & Development, UK
- ◆ Member National Speakers Association, USA
- ◆ Member, Malaysian Institute of Human Resource Management
- ◆ Member, Malaysian Institute of Management

Past Memberships

- ◆ Corporate Member, Interactive Multimedia Association of Malaysia
- ◆ Fellow, Institute of Training and Development, UK

Dr. Palan studied in Madras University (B.Sc., MA) and California Coast University (Ph.D.). He also qualified to gain membership with Association of Psychological Type, USA. He has also attended executive development courses in the Harvard Business School and University of California at Los Angeles. He has continuously kept himself up to date by attending IT and software project management courses.

He attended the Masie Labs in Albany, New York to learn about the use of technology in HRD from Elliot Masie who is the founder of the eLearning consortium and frequently sits on congressional committees on HR technology. Dr. Palan has also been trained at the National Training Laboratories, USA. He has also been mentored by the world's leading Internet guru Tom Antion.

He pioneered the development of HRDPower™ software system, has written eleven (11) books and has also developed HRD games and videos. His books on competency management and performance management are best sellers in the Asian circuit. Some of Dr. Palan's books are:-

- ◆ Competency Management: a practitioner's guide
- ◆ Performance Management & measurement: the Asian context
- ◆ FAQ's in HRD
- ◆ The Magic of Making Training FUN
- ◆ Frame Jokes
- ◆ Creative Training Tips

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

Dr. Palan has worked in HRD positions and as Project Manager with large corporations managing HRD, Competency and Performance Management projects. He has been contracted with the Malaysian Shipyard Engineering, Matsushita Air-conditioning, Singapore Airlines, Hewlett Packard, National Drilling Company and Suria Capital Bhd. Primarily all of Dr. Palan's work experience during the last twenty-eight (28) years has been in the area of HRD through technology.

Dr. Palan has shared his experiences in international forums to position HRDPower™ and the work of SMRT. They include sharing of the Competency framework, the proprietary PAGE framework and Performance Management practices in Asian cultures. Some of the events are:-

- ◆ International HRDConference, Brunei 2005
- ◆ National Speakers Association, Atlanta USA, 2005,
- ◆ Australian Institute of Training & Development Conference 2004
- ◆ World Conference on Training & Development, Bahrain 2004
- ◆ Australian Human Resources Institute Conference 2003
- ◆ National Institute of Personnel Management, India 2002
- ◆ First Priority HR Conference, China 2001
- ◆ Asian Regional Training Conference, Bali 2000
- ◆ Asia Pacific Learning Conference, Singapore 1999
- ◆ American Society of Training & Development – 1995,1996,1997,1998

KAMATCHI, aged 37, was appointed to the Board of SMRT as an Executive Director on 14 July 2004 and Special Flagship on 13 August 2004. She pursued her NCC Diploma in Computers at the Systematic Computer Centre, Malaysia in 1987 and also has a Certificate in Training & Development from the Institute of Training & Development, UK in 1992 and a Diploma in Management from the Institute of Administrative Management, UK in 2003. Madam Kamatchi, the wife of Dr. Palan, started her career as a teacher with the Ministry of Education, Government of Malaysia in 1986 and she joined Romiza Management Centre as a Trainer in 1987. She subsequently joined SMR where she was an implementation consultant. During the last three (3) years she has been involved in consulting with the implementation of HRDPower™ software system and has travelled to the USA and Australia on business related consulting work.

DR. NADARAJAH MANICKAM, aged 51, is the Executive Director and Technical Director of the SMRT Group. He was appointed to the Board of SMRT on 17 December 2004. Dr. Nadarajah has a B.Sc. from the Madras University and a MA. and a Ph.D. from the Jawaharlal Nehru University, New Delhi, India. Dr. Nat, as he is fondly known in the industry, has over 30 years experience in the field of communications and has worked with the e-Learning and television industry. He was a pioneer in the initial set up of Asia net, a satellite pay television station in 1990. He is a pioneer in the use of film and multimedia in E learning and has worked for the last ten (10) years promoting web related areas in this field.

Dr. Nadarajah has worked on the design and development of eLearning products for Asianet, Cahaya Suara Communications and Asia Communications and has produced multimedia programmes for HRDWebVarsity.

An avid believer in macromedia and related programmes in eLearning, Dr. Nadarajah is a promoter of the IT industry, specialising on Internet and intranet set-up and installation, software development and analysis, communication, graphic design, multimedia animation, project planning & implementation.

Dr. Nadarajah has travelled extensively around the world to research and study the development of HR technology and leads the R&D team for the Group.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

AJAY KUMAR ARYA, an American citizen, aged 49, was appointed to the Board of SMRT on 17 December 2004. He is presently a consultant with SMRHRT. He graduated with a Masters Degree in Management Information systems, School of Business, Southern Illinois University at Edwardsville in 1989 and has a Post Graduate Diploma in International Trade, Indian Institute of Foreign Trade, New Delhi, India in 1980 (Merit prize for best market research project) together with a Bachelor of Science in Engineering (Electronics Engineering - Computer systems), from Delhi University, New Delhi, India in 1978 (Gold Medal for performance and best project)

Ajay, an Oracle Certified DBA, has more than twenty (20) years of professional experience, twelve (12) years in MIS/DP industry as database administrator, SKILLS project leader, systems analyst and programmer. Skills include database design and administration, systems analysis, consulting, training, turnkey, systems development. He is the Product Development Consultant of the Group.

Before joining the Company, Ajay has worked extensively with multinationals like Motorola, McDonalds Corporation, HSBC as Consultant, system analyst and database administrator. At McDonald's Ajay was responsible for designing, developing and maintaining their franchisee financial system and 31Q accounting system on UNIX and Windows client-server platforms using ORACLE V7.1, PL/SQL, Oracle Forms V4.5, Oracle Reports V2.5 and OLE. The system has over 200 tables, 20 forms, 50 reports and over 3000 active users. The largest table has over 3 million rows. The application uses lots of stored procedures that have been written in PL/SQL and this utilizes the system resources effectively. All the major queries are addressed using user friendly language through user friendly interfaces.

HAJI ISHAK BIN HASHIM, aged 63, is an Independent Non-Executive Director of SMRT. He was appointed to the Board of SMRT on 5 October 2005. He 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 Organizational Development, would be able to groom and support the other Directors and Management of the company.

LEOW NAN CHYE, aged 47, is an Independent Non-Executive Director of SMRT. He was appointed to the Board of SMRT on 5 October 2005. He is the Head of the Audit Committee of SMRT. Mr. Leow is an accountant by profession. He 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). He has over twenty (20) years experience in various companies involved in property development, resorts and golf, manufacturing and investment holding. He was previously attached to Malaysian General Investment Corporation Bhd, KAB Group, Tanming Group, Negara Properties Sdn Bhd and Formosa Prosonic Industries Sdn Bhd.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

(ii) Directors' Shareholdings in SMRT

The Directors of SMRT and their respective shareholdings in the Company, based on the Register of Directors' shareholdings of SMRT as at the Latest Practicable Date, before and after the Public Issue, are as follows:-

Name	Nationality	Before the Public Issue			After the Public Issue				
		Direct		Indirect	Direct		Indirect		
		No. of Shares	%	No. of Shares	%	No. of Shares	%		
Dr. Palan	Malaysian	26,493,010	37.85	42,006,990*	60.01	26,493,010	26.49	42,006,990*	42.01
Kamatchi	Malaysian	7,010	0.01	68,492,990**	97.85	7,010	0.01	68,492,990**	68.49
Dr. Nadarajah a/l Mamickam	Malaysian	-	-	-	-	200,000	0.20	-	-
Ajay Kumar Arya	American	-	-	-	-	200,000	0.20	-	-
Haji Ishak Bin Hashum	Malaysian	-	-	-	-	100,000	0.10	-	-
Leow Nan Chye	Malaysian	-	-	-	-	100,000	0.10	-	-

Note:

* Deemed interested by virtue of his shareholdings in Special Flagship and his wife, Kamatchi's, shareholdings in SMRT.

** Deemed interested by virtue of her husband, Dr. Palan's, shareholdings in Special Flagship and SMRT.

(iii) Directors' Directorships and/or Substantial Shareholdings in Other Public Companies

None of the Directors has any directorships and/or substantial shareholdings in any public companies incorporated in Malaysia for the past two (2) years preceding the Latest Practicable Date.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

(iv) Aggregate Remuneration and Benefits of Directors

For the financial year ended 31 December 2003, there was no aggregate amount of remuneration and benefits paid to the Directors of the SMRT Group for services rendered in all capacities to the Group. For the financial year ending 31 December 2004, the aggregate amount of remuneration and benefits to be paid to the Directors of the SMRT Group for services rendered to the Group is estimated to be approximately RM205,300.

The banding of remuneration and benefits of the Directors of the SMRT Group for the financial year ended 31 December 2004 and the financial year ending 31 December 2005 are as follows:-

Remuneration Band	Number of Directors	
	Financial year ended/ending 31 December	
	2004	2005
0 - 50,000	1	1
50,001 - 100,000	-	1
100,001 - 150,000	-	1
150,001 - 200,000	1	-

9.3 Audit Committee

The composition of the Audit Committee is as follows:-

Name	Designation	Directorship
Leow Nan Chye	Chairman	Independent Non-Executive Director
Haji Ishak Bin Hashim	Committee Member	Independent Non-Executive Director
Kamatchi	Committee Member	Executive Director

The Audit Committee is responsible for recommending to the Board the selection of external auditors, reviewing the scope of audit work and findings conducted by the Group's external auditors including any other services provided, reviewing and evaluating the Group's internal audit and controls, assessing financial risks and matters relating to related party transactions and conflict of interest and undertake such other responsibilities as may be agreed by the Audit Committee and the Board.

9.4 Key Management and Key Technical Personnel

(i) Profile

Profiles of the key management and key technical personnel of the SMRT Group, other than Dr. Palan, Kamatchi and Dr. Nadarajah a/l Manickam, which are set out in Section 9.3(i) of this Prospectus, are as follows:-

Key management

ROBERT LIM LIAN HOE, aged 41, is the Operations Director of the SMR Group in June 2004. He obtained his Diploma in Business Administration in 1990 and subsequently obtained his postgraduate Degree from University Malaya in 1998. Prior to joining the SMR Group, he was Head - Finance and Corporate Affairs of ASIAEP Berhad, a Mesdaq listed company. He has headed the Projects and Corporate Finance division of Emico Holdings Berhad Group of companies, a public listed company, for two (2) years before starting his own management firm, RLCM Services. Prior to that, he was a regional manager at RHB Finance Berhad.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

KAREN ONG GUAT KIOW, aged 52, a Certified Trainers Professional from the Institute of Personnel and Development, United Kingdom and an Accredited Training Professional, is currently the Managing Director of SMR and the Senior Consultant with the SMRT Group. She manages the day-to-day operations of the Group. Prior to joining the SMR Group, she was with TV3, Kuala Lumpur-based broadcast company for fourteen (14) years in the HR Division and with General Motors, Singapore. Her skills include broadcast and multimedia training for HRDPower™.

KRISHNAN A/L RAMANATHAN CHETTIAR, aged 44, is presently pursuing his MBA with Universiti Teknologi Malaysia. He has completed a Bachelors in Commerce degree with the University of Madras; a Certificate in Training & Development from the Institute of Personnel & Development, United Kingdom, Certificate in Project Management from Training Asia Inc and Certificate in Microsoft Access from New Horizons Computers. The younger brother of Dr. Palan, Krishnan has worked at the Patent & Trademarks division of Shearn & Delamore; Syed Mubarak & Company, an audit firm; SASA Air Cargo, a logistics firm. He heads the marketing division of SMRT group and specialises in IT marketing. He has travelled extensively to exhibit the product in Saudi Arabia, Oman, Qatar, Sri Lanka, India, Dubai, Abu Dhabi and Bahrain.

HELMI YAZRINA YASIN, aged 30, Executive Training Services with the SMRT Group since August 2005. She has a Bachelor of Arts Degree from Arcadia University, Canada. She has worked in various education centres, University Technology Malaysia and In-Fusion Education Sdn Bhd handling enrolment and student affairs prior to joining the SMRT Group.

Key technical personnel

MURALIDHARAN RAMAKRISHNAN, an Indian National, aged 26, heads the R&D team for HRDPower™ and has been with SMRT Group since 2000. Murali has a Higher Diploma in Computer Applications and a Bachelor of Science in Mathematics from the University of Madras, India. A Microsoft Certified Most Valued Professional (MCP) in VB.net, Murali who is currently pursuing his Masters in HR, has worked in various industries on various Microsoft platforms, specialising in the HRM and HRD systems prior to joining the SMR Group. He has previously worked with the IT division of India Cements Ltd, a public listed company in India.

SUBRAMANIAM A/L ANNAMALAY, aged 46, graduated from Universiti Sains Malaysia with a Bachelor of Social Sciences Degree. He completed an Accredited Trainers Programme with SMR. He is a ISO 9000 trained auditor and has worked with the Ministry of Social Welfare, MBF Finance Bhd and Taylor's College. Subra is an established Competency Consultancy professional. He has carried out projects with organisations such as Pusat Perubatan Universiti Hospital, Tenaga Distribution Sdn Bhd, BP Plastics Bhd, P.T. TGI Indonesia, LPPM Indonesia and Suria Capital Bhd.

ZAINAL ABIDIN ALANG KASSIM, aged 55, a senior consultant with SMRHRT since 2004 has a Masters of Science (Instrumentation) from the University of Wales, Swansea, United Kingdom, together with a Diploma of Electrical Engineering from Footscray Institute of Technology, Australia. Zainal has worked with the academia at the Institute Technology MARA (ITM) before joining the Petronas Group where he served in various capacities which included being the Deputy Director of their Technical Training Centre and their Management Centre. He also served as the Director of HR at Malaysia Shipyard Engineering. He is an accomplished HR expert with experience in Competency and Performance Management. He has also been trained in Hay's job evaluation and Saville & Hollsworth psychometric testing.

PAGADALA SURENDRABABU SIVAKUMAR, an Indian national, aged 27, a Team Leader – Help Desk with the SMRT Group since 2000. He has a Bachelor of Science (Computer Science) from University of Bangalore, India. Siva has worked in various Industries on various systems as systems engineer prior to joining the SMRT Group and has extensive experience in computer programming.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

UDAY KHEDKAR, an Indian national, aged 36, a Project Manager - Technical Implementation Specialist with the SMRT Group since 2003. He has a Bachelors Degree in Engineering – Electronics and Communication from Madras University, India together with He has a Masters Degree in Business Management from the University of Bombay, India. Uday, has worked in various industries on various systems as systems engineer prior to joining the SMRT Group and has extensive experience as project manager and system analyst.

RENU JOSEPH, an Indian national, aged 30, a E-Learning Technical Designer with the SMRT Group since 2001. She has double Master Degree in HR and Literature. Renu, a has worked in various industries such as Sony Music, ICICI Bank, India and Aravind Textiles on various systems as technical writer prior to joining the SMRT Group and has extensive experience in writing documentation for software houses.

PANEER CHELVAM, an Indian national, aged 36, a Technical Project Manager with the SMRT Group since 2002. He has a Bachelors Degree in Engineering – Electronics and Communication from Madras University, India. Paneer has worked in various industries on various systems as systems engineer prior to joining the SMRT Group and has extensive experience in system analyst and has handled several major clients like KOBE Precision Sdn Bhd and Tenaga Distribution Sdn Bhd.

SIVANESH A/L ARJUNAN, aged 29, a Helpdesk Executive and Network Specialist with the SMRT Group since March 2005. He has a Diploma in Computer Engineering from Informatics, Kuala Lumpur and is a Microsoft Certified Professional and Microsoft Certified System Engineer since 2002. Sivanesh who is also a Cisco Certified Network Associate has worked in various industries on various systems as technical executive at Traxmedia Sdn Bhd, Kolej ITJ, PDK Group Sdn Bhd, Cybersys Computer Solutions among others prior to joining the SMRT Group and has extensive experience in maintaining hardware and network system and has handled several major clients like INTAN, National Library and Polis Di Raja Malaysia.

OOI MEI LING, aged 27, a Senior Web Designer with the SMRT Group since March 2005. She has a Diploma in Graphic Design from Malaysian Institute of Arts(MIA), Kuala Lumpur and has her work exhibited in MIA and Phoenix Plaza, Singapore. She has worked in various industries as Graphic and Web Designer at ASIAEP Bhd, Web Guru Asia and Cyber Village Sdn Bhd amongst others prior to joining the SMRT Group.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

ii) Key Management and Key Technical Personnel's Shareholdings in SMRT

Amongst the key management and technical personnel of the SMRT Group, the following persons hold shares in the Company and their respective shareholdings in the Company, based on the Register of Member of the Company, before and after the Public Issue, are as follows:-

Name	Nationality	Designation	Before the Public Issue			After the Public Issue				
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dr. Palan	Malaysian	Managing Director	26,493,010	37.85	42,006,990*	60.01	26,493,010	26.49	42,006,990*	42.01
Kamatichi	Malaysian	Executive Director	7,010	0.01	68,492,990**	97.85	7,010	0.01	68,492,990**	68.49
Dr. Nadarajah a/l Manickam	Malaysian	Executive Director	-	-	-	-	200,000	0.20	-	-
Ajay Kumar Arya	American	Executive Director	-	-	-	-	200,000	0.20	-	-
Robert Lim Lian Hoe	Malaysian	Operations Director	-	-	-	-	495,000	0.49	-	-
Ong Guat Kiow	Malaysian	Training Consultant	-	-	-	-	250,000	0.25	-	-
Krishnan a/l Ramanathan Chettiar	Malaysian	Manager – Client Services	-	-	-	-	250,000	0.25	-	-
Helmi Yazrina Yasin	Malaysian	Executive Training Services	-	-	-	-	150,000	0.15	-	-
Muralidharan Ramakrishnan	Indian	Head of IT	-	-	-	-	500,000	0.50	-	-
Subramaniam a/l Ammalay	Malaysian	Senior Consultant	-	-	-	-	150,000	0.15	-	-
Zainal Abidin Alang Kassim	Malaysian	Senior Consultant	-	-	-	-	50,000	0.05	-	-
Pagala Surendrababu Sivakumar	Indian	Team Leader - Helpdesk	-	-	-	-	90,000	0.09	-	-
Uday Khedkar	Indian	Project Manager	-	-	-	-	-	-	-	-
Renu Joseph	Malaysian	Project Executive	-	-	-	-	-	-	-	-
Paneer Chelvam	Indian	Project Manager	-	-	-	-	-	-	-	-
Sivanesha a/l Arjunan	Malaysian	Executive - Helpdesk	-	-	-	-	10,000	0.01	-	-
Ooi Mei Ling	Malaysian	Senior Web Designer	-	-	-	-	10,000	0.01	-	-

Note:

* Deemed interested by virtue of his shareholdings in Special Flagship and his wife, Kamatchi's, shareholdings in SMRT.

** Deemed interested by virtue of her husband, Dr. Palan's, shareholdings in Special Flagship and SMRT.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

9.5 Involvement of Executive Directors, Key Management and Key Technical Personnel in Other Businesses or Corporations

Save as disclosed below, none of the Executive Directors, key management or key technical personnel of the Group is involved in other businesses or corporations:-

- (i) Dr. Palan is a Director of SMR and Special Flagship. However, he spends ninety percent (90%) of his normal working hours in the full-time employment of the SMRT Group.
- (ii) Kamatchi is a Director of Special Flagship. However, she spends ninety percent (90%) of her normal working hours in the full-time employment of the SMRT Group.
- (iii) Robert Lim Lian Hoe is the Principal of RLCM Services. However, he spends ninety percent (90%) of his normal working hours in the full-time employment of the SMRT Group.
- (iv) Karen Ong Guat Kiow is the Managing Director of SMR. However, she spends eighty percent (80%) of her normal working hours in the full-time employment of the SMRT Group.

9.6 Declaration by the Directors, Key Management and Technical Personnel

None of the Directors, key management and technical personnel of the Group is or has been involved in any of the following events:-

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (ii) charged and/or convicted in a criminal proceeding or is named subject of a pending criminal proceeding; and
- (iii) a subject of any order, judgment or ruling of a court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

9.7 Service Agreements

Save as disclosed below, there are no existing proposed service agreements between the Group and its Directors, key management or key technical personnel as at the Latest Practicable Date:-

On 1 July 2004, the Company entered into a Service Agreement with Dr. Palan for his appointment as the Managing Director of the Company. The terms of the Service Agreement were at arms length and based on commercial terms. The salient terms of the Service Agreement are as set out below: -

- (i) The appointment shall be deemed to have commenced on 1st January 2004 and shall continue (subject to earlier termination as provided in the Service Agreement) until terminated by either party giving to the other not less than six (6) calendar months prior notice.
- (ii) The employee shall not either during his appointment or at any time for one (1) year after its termination:
 - (a) disclose to any person or persons (except to those authorised by the Company to know or as otherwise required by law);
 - (b) use for his own purposes or for any purposes other than those of the Company; or
 - (c) through any failure to exercise all due care and diligence cause any unauthorised disclosure of any confidential information of the Company (including in particular lists or details of customers of the Company or information relating to the working of any process or invention carried on used by the Company) or in respect of which the Company is bound by an obligation of confidence to a third party.

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

These restrictions shall cease to apply to information or knowledge which may (other than through the default of the employee) become available to the public generally without requiring a significant expenditure of labour, skill or money.

- (iii) The Service Agreement may be terminated under the following conditions: -
- (a) Automatic Termination
- (i) on the employee reaching his sixty-fifth (65th) birthday; or
 - (ii) if the employee becomes prohibited by law from being a director; or
 - (iii) if the employee resigns his office; or
 - (iv) if the office of director of the Company held by the employee is vacated pursuant to the Company's Articles of Association save if the vacation shall be caused by illness (including mental disorder) or injury.
- (b) Suspension
- In order to investigate a complaint against the employee of misconduct, the Company is entitled to suspend the employee on full pay for so long as may be necessary to carry out a proper investigation and hold a disciplinary hearing.
- (c) Immediate Dismissal
- The company may by notice terminate this Service Agreement with immediate effect if the employee: -
- (i) commits any act of gross misconduct or repeats or continues (after written warning) any other material breach of his obligations under this Agreement; or
 - (ii) is guilty of any conduct which in the reasonable opinion of the Board brings him, the Company into serious disrepute; or
 - (iii) is convicted of any criminal offence punishable with six (6) months or more imprisonment (excluding an offence under road traffic legislation in Malaysia elsewhere from which he is not sentenced to any terms of imprisonment whether immediate or suspended); or
 - (iv) commits any act of dishonesty whether relating to the Company, any of its or their employees or otherwise; or
 - (v) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
 - (vi) is in the reasonable opinion of the Board incompetent in the performance of his duties.
- (iv) In addition to Federal and State public holidays the employee is entitled to thirty (30) working days paid holiday in each year to be taken at such time or times as are agreed with the Board. The employee shall not without the consent of the Board carry forward any unused part of his holiday entitlement to subsequent years.
- (v) The employee shall not within the Prohibited Area (as defined therein) for a period of one (1) year after the termination of his employment hereunder (however that comes about and whether lawful or not):-
- (a) be directly or indirectly engaged, concerned or interested whether as Director, Principal, Agent, Partner, Consultant, Employee or otherwise in any other business which is wholly or partly in competition with any business carried on by the Company;

9. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL (Cont'd)

- (b) accept employment in any executive capacity with any business concern, which is wholly, or partly in competition with any business carried on by the Company.
- (c) advice any businesses concern which is wholly or partly in competition with any business carried on by the Company.
- (d) be directly or indirectly engaged concerned or interested whether as Director, Principal, Agent, Partner, Consultant, Employee or otherwise in any business concern which has at any time during the last twelve (12) months of the employee's employment hereunder supplied any goods materials or services to or been a customer of the Company.

9.8 Family Relationships and Associations

There are no family relationships amongst the Promoters, Directors, substantial shareholders, key management and key technical personnel of SMRT other than Kamatchi being the wife of Dr. Palan and Krishnan a/l Ramanathan Chettiar being the brother of Dr. Palan.

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10. APPROVALS AND CONDITIONS AND MORATORIUM**10.1 Conditions of Approvals**

The SC approved (including under the Foreign Investment Committee's ("FIC") Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests) the Listing of the Company on 9 September 2005. No equity condition was imposed by the FIC, as at present SMRT's subsidiary, SMRHRT, has obtained MSC status.

The conditions imposed by the SC and the status of compliance are as follows:-

Approval from the SC

Conditions Imposed by the SC vide letter dated 9 September 2005	Status of Compliance
<p>(i) SMRT to disclose in its public issue prospectus the following information on the independent valuation report on SMRHRT:-</p> <p>(a) A summary of the valuation report;</p> <p>(b) The limitations of the valuation report's validity;</p> <p>(c) The rationale for the choice of valuation method; and</p> <p>(d) Comments by the Directors of SMRT on the achievability of any underlying forecasts / projections used for the valuation report.</p> <p>SMRT to make available for inspection the complete valuation report at its registered office.</p>	<p>Complied. Please refer to Section 15 of this Prospectus.</p> <p>To be complied.</p>
<p>(ii) With respect to trade receivables:-</p> <p>(a) SMRT to disclose in its prospectus the ageing analysis based on the Group's latest audited trade receivables including credit control measures taken to recover long overdue balances and other credit control measures undertaken to mitigate the risk of bad debts;</p> <p>(b) Full provision for trade receivables outstanding that have exceeded the normal credit period granted of 90 days but less than 180 days, unless it can be justified that the outstanding amount can be collected. The said justification must be disclosed in the prospectus supported by an independent opinion from the Reporting Accountants; and</p> <p>(c) SMRT Group to collect or make full provision for all trade receivables that have been outstanding for more than 180 days.</p>	<p>Complied. Please refer to Section 7.6 of this Prospectus.</p> <p>Complied. Please refer to Section 7.6 of this Prospectus.</p> <p>Complied. Please refer to Section 7.6 of this Prospectus.</p>
<p>(iii) SMRT to enhance disclosure in its public issue prospectus on the dependence on / key person risk associated with Dr. Palan to include the impact on SMRT in event of the loss of Dr. Palan's services and any mitigating factors.</p>	<p>Complied. Please refer to Section 4.1(ii) of this Prospectus.</p>
<p>(iv) Affin Merchant / SMRT to inform the SC when the proposed flotation on the MESDAQ market is completed.</p>	<p>To be complied upon the completion of the Listing.</p>
<p>(v) With respect to the private placement to investors to be identified, Affin Merchant is to submit to the SC, prior to listing and quotation of SMRT's entire enlarged issued and paid-up share capital on the MESDAQ Market, the following:-</p> <p>(a) The name, NRIC number, occupation, number of shares placed and address of placees and/or of ultimate beneficial owners in the case of placees who are companies / corporations;</p> <p>(b) A declaration by the promoters of SMRT that the placees are parties not related to the promoters; and</p> <p>(c) A declaration by the placement agent that the shares have been placed with parties not related to the promoters.</p>	<p>To be complied.</p>
<p>(vi) Approvals to be obtained from other relevant authorities, if any.</p>	<p>Complied. No approvals from other relevant authorities required.</p>

10. APPROVALS AND CONDITIONS AND MORATORIUM (Cont'd)**10.2 Moratorium on Shares of Promoters**

Paragraph 2.10.2 of the Listing Requirements states that shares held by the promoter amounting to 45% of the enlarged issued and paid-up share capital of the Company at the date of admission of the Company to the Official List of the MESDAQ Market be placed under moratorium.

Details of the Promoters of the Company who will be subjected to the moratorium are as follows:-

Name	After the Public Issue				No. of SMRT Shares under moratorium	%
	Direct		Indirect			
	No. of Shares	%	No. of Shares	%		
Special Flagship	41,999,980	42.00	-	-	41,999,980	42.00
Dr. Palan	26,493,010	26.49	42,006,990*	42.01	3,000,020	3.00

Note:-

* Deemed interested by virtue of his shareholdings in Special Flagship and his wife, Kamatchi's, shareholdings in SMRT.

The quantum of SMRT Shares which are to be held under moratorium, is fully accepted by the Promoters, representing 45% of the enlarged issued and paid-up share capital of the Company.

The Promoters will not be allowed to sell, transfer or assign any part of its interest in SMRT Shares under the moratorium within one (1) year from the date of admission of the Company to the Official List of the MESDAQ Market, and thereafter, are permitted to sell, transfer or assign up to a maximum of one-third per annum of its respective shareholdings in the Company under moratorium on a straight-line basis.

This restriction is specifically endorsed on the notice of allotment and share certificates of SMRT representing the shareholding of the Promoter which is under moratorium to ensure that the Registrar of the Company shall not register any transfer which is not in compliance with the moratorium restrictions.

11. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

11.1 Related Party Transactions

All related party transactions of the SMRT Group are at arms length and have Board resolutions to support the transactions. Save as disclosed below, there are no related party transactions or arrangements, existing or potential, entered or to be entered into by SMRT or any of its subsidiary which involve the interest, direct or indirect, of the Directors, substantial shareholders and/or any persons connected with or associates of the Directors or substantial shareholders of the Company (as defined under Listing Requirements and Section 122A of the Act) or key management or technical personnel:-

Parties to transaction	Date entered into transaction	Nature of transaction	Status of renewal	Nature of relationship
(i) SMR and SMRHRT	3 January 2002 (via letter)	Rental of office equipment and office space located at 14-3, Jalan Bangsar Utama 1, Bangsar Utama, 59000 Kuala Lumpur by SMRHRT from SMR. The rental rate for both the office equipment and office space shall be payable on the 7 th day of each calendar month at RM1,000 for a duration of three (3) years commencing 1 January 2002 to 31 December 2004.	Renewable automatically for an additional term of three (3) years unless mutually terminated by both parties with two (2) months prior notice.	Dr. Palan is a director and substantial shareholder of both SMR and SMRT
(ii) SMR and SMRHRT	3 January 2002 (via letter)	Consultancy services to be provided by SMRHRT to SMR on the advice, concept, development and monitoring on a joint development on an on-going basis for a duration of three (3) years effective 1 January 2002 to 31 December 2004 at the rate of RM2,000 per product (a) SMR Training Power (b) HRDWebvarsity (c) Trainers Virtual Campus (d) HRDPortal (e) Competency Power	Renewed via letter dated 3 January 2006 for one (1) year expiring on 31 December 2007.	Dr. Palan is a director and substantial shareholder of both SMR and SMRT
(iii) SMR and SMRHRT	1 July 2002 (via letter)	Rental of computer equipment at a rental rate of RM5,000 per month payable on or before the 7 th day of each calendar month for a duration of 30 months commencing 1 July 2002 to 31 December 2004.	Month to month renewal	Dr. Palan is a director and substantial shareholder of both SMR and SMRT
(iv) SMR and SMRHRT	27 November 2003 (via letter)	Transfer of office and computer related equipment at book value amounting to RM600,804.09 set-off against the consultancy fee billed by SMRHRT to SMR pursuant to the letter dated 3 January 2002 mentioned in (iii) above.	-	Dr. Palan is a director and substantial shareholder of both SMR and SMRT

11. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

11.2 Transactions that are Unusual in Their Nature and Conditions

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Group was a party in respect of financial year ended 31 December 2004 and the financial period 30 September 2005 immediately preceding the date of this Prospectus.

11.3 Interest in Similar Business

None of the Promoters, substantial shareholders and Directors of SMRT has any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as the SMRT Group.

11.4 Outstanding Loan Made by the Company or Any of Its Subsidiary to or for the Benefit of Related Parties

As at the Latest Practicable Date, there is no outstanding loan (including guarantees of any kind) made by the Company or any of its subsidiary to or for the benefit of the related parties.

11.5 Promotions of Any Material Assets Acquired or to be Acquired

Save as disclosed below, none of the Directors and substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or disposed of by the Company or its subsidiary or proposed to be acquired or proposed to be disposed of by or leased to or proposed to be leased to the Company or its subsidiary within two (2) years preceding the date of this Prospectus:-

- (i) Pursuant to a Sale of Shares Agreement dated 27 August 2004, SMRT acquired all of the issued and paid-up share capital of SMRHRT comprising 10,005 ordinary shares of RM1.00 each from the Vendors of SMRHRT for a total purchase consideration of RM10,000,000 which was satisfied by the issuance of 6,944,444 ordinary shares of RM1.44 each in SMRT. The Acquisition of SMRHRT was completed on 3 September 2004; and
- (ii) On 30 December 2003, SMRHRT entered into a Deed of Absolute Assignment of Intellectual Property Rights for the transfer of HRDPower™ software system from SMR to SMRHRT for a purchase consideration of RM900,000.

11.6 Declaration by the Advisers

Affin Merchant confirms that there is no conflict of interest in respect of their capacity as Adviser, Sponsor and Underwriter to the SMRT Group for the Listing.

Messrs Kadir, Andri & Partners confirms that there is no conflict of interest in respect of their capacity as Solicitors to the SMRT Group for the Listing.

Monteiro & Heng confirms that there is no conflict of interest in respect of their capacity as Auditor and Reporting Accountants to the SMRT Group for the Listing.

IDC confirms that there is no conflict of interest in respect of their capacity as Independent Market Research Consultant to the SMRT Group for the Listing.

Public Merchant confirms that there is no conflict of interest in respect of their capacity as Placement Agent to the SMRT Group for the Listing.

MIDF Sisma confirms that there is no conflict of interest in respect of their capacity as Placement Agent to the SMRT Group for the Listing.

12. DIRECTORS' REPORT



Registered Office:
SMR Technologies Berhad
149-A Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

10 FEB 2006

The Shareholders
SMR Technologies Berhad ("SMRT" or the "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of SMRT, I report that after making due enquiries in relation to the interval between 30 September 2005 being the date which the last audited Financial Statements of the Company and its subsidiary companies have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the issue of this Prospectus:-

- (i) the business of the Company and its subsidiary has, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, save as disclosed in this Prospectus, no circumstances have arisen since the last audited financial statements of the Company and its subsidiary which have adversely affected the trading or the value of the assets of the Company or its subsidiary;
- (iii) the current assets of the Company and its subsidiary appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or its subsidiary;
- (v) since the last audited financial statements of the Company and its subsidiary, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (vi) save as disclosed in the Accountants' Report as set out in Section 13 of this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of the Company and its subsidiary since the last audited financial statements of the Company and its subsidiary.

Yours faithfully,
For and on behalf of the Board of Directors of
SMR Technologies Berhad

P. Ramanathan Chettiar
Managing Director