

14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER

MONTEIRO & HENG

(Firm No. AF0117)

Chartered Accountants



Our ref: *MH5/Client/SMRT/Proforma BS*

Date: **10 FEB 2006**

The Board of Directors
SMR TECHNOLOGIES BERHAD
149 - A, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

Dear Sirs,

**SMR TECHNOLOGIES BERHAD AND ITS SUBSIDIARY
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2005**

We have reviewed the Proforma Consolidated Balance Sheets of SMR Technologies Berhad ("SMRT") and its subsidiary (hereinafter referred to as the "SMRT Group") as at 30 September 2005 together with the notes and assumptions thereto, for which the Directors are solely responsible, as set out in the accompanying statement which we have stamped for the purpose of identification, for inclusion in the Prospectus to be dated **22 FEB 2006** in connection with the proposed listing of SMRT on the MESDAQ Market of Bursa Malaysia Securities Berhad.

Based on the results of our review, we are of the opinion that:-

- (i) the Proforma Consolidated Balance Sheets of SMRT Group as at 30 September 2005, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheets;
- (ii) such bases are consistent with the accounting policies adopted by SMRT Group in the preparation of the audited financial statements of SMRT Group for the financial period ended 30 September 2005; and
- (iii) the adjustments are appropriate for the purpose of the preparation of the Proforma Consolidated Balance Sheets.

Yours faithfully,

Monteiro & Heng
No. AF 0117
Chartered Accountants

M.J. Monteiro
No. 828/05/06 (J/PH)
Partner

22-1, Monteiro & Heng Chambers, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur, Malaysia
Tel : 03 2274 8988 - Fax : 03 2272 1864 / 2260 1708 - E-Mail : mhaudit@streamyx.com

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14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER
(Cont'd)
SMR TECHNOLOGIES BERHAD AND ITS SUBSIDIARY
Proforma Consolidated Balance Sheets As At 30 September 2005

Set out below are the detailed proforma consolidated balance sheets of SMR Technologies Berhad ("SMRT") and its subsidiary (hereinafter referred to as the "SMRT Group"), for which the Directors of SMRT are responsible, which have been prepared for illustrative purposes only and are based on the audited financial statements of SMRT Group, to show the effects of the Public Issue and the Utilisation of Funds on the assumption that they are completed on 30 September 2005. The proforma consolidated balance sheets of SMRT Group should be read in conjunction with the notes thereon.

	← Proforma SMRT Group →		
	SMRT Group Audited Balance Sheets as at 30.9.2005 RM	Proforma I After Public Issue RM	Proforma II After I and Utilisation of Funds RM
NON-CURRENT ASSETS			
Property, plant and equipment	923,005	923,005	5,623,005
Goodwill	6,651,834	6,651,834	6,651,834
Development costs	3,380,246	3,380,246	4,680,246
Intangible assets	428,901	428,901	428,901
CURRENT ASSETS			
Trade and other receivables	3,313,038	3,313,038	3,313,038
Cash and bank balances	187,300	8,587,300	2,587,300
	3,500,338	11,900,338	5,900,338
CURRENT LIABILITIES			
Other payables	1,099,840	1,099,840	1,099,840
Amount owing to related parties	10,000	10,000	10,000
Amount owing to directors	199,552	199,552	199,552
Hire purchase payables	14,988	14,988	14,988
	1,324,380	1,324,380	1,324,380
NET CURRENT ASSETS	2,175,958	10,575,958	4,575,958
LONG TERM LIABILITIES			
Hire purchase payables	80,491	80,491	80,491
	13,479,453	21,879,453	21,879,453
FINANCED BY:			
Share capital	7,000,000	10,000,000	10,000,000
Share premium	3,000,002	8,400,002	8,400,002
Accumulated profit	3,479,451	3,479,451	3,479,451
TOTAL SHAREHOLDERS' EQUITY	13,479,453	21,879,453	21,879,453
NET TANGIBLE ASSETS ("NTA")	6,398,718	14,798,718	14,798,718
NUMBER OF SHARES IN ISSUE	70,000,000	100,000,000	100,000,000
NTA PER SHARE (Sen)	9.14	14.80	14.80

Note: NTA is arrived at after deduction of goodwill and intangible assets.



14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER
(Cont'd)

SMR TECHNOLOGIES BERHAD AND ITS SUBSIDIARY
Proforma Consolidated Balance Sheets As At 30 September 2005

NOTES AND ASSUMPTIONS TO THE
PROFORMA CONSOLIDATED BALANCE SHEETS
1. Basis of Preparation and Consolidation

- (i) The Proforma Consolidated Balance Sheets of the SMRT Group have been prepared based on the audited consolidated financial statements of SMRT as at 30 September 2005.
- (ii) The Proforma Consolidated Balance Sheets of SMRT Group have been prepared using the accounting principles and bases consistent with those normally adopted in the preparation of SMRT Group's audited financial statements.
- (iii) The Proforma Consolidated Balance Sheets are prepared for illustrative purposes only, and on the assumption that the events were effected on 30 September 2005.

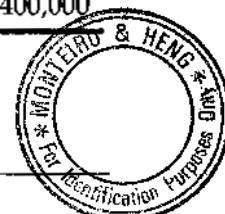
Proforma I

Proforma I has been presented based on the audited consolidated balance sheets of SMRT as at 30 September 2005 and incorporating the effect of the Public Issue of 30,000,000 new ordinary shares of RM0.10 each in SMRT at an issue price of RM0.33 per ordinary share to the Malaysian public, eligible employees and business associates of SMRT Group. The gross proceeds from the Public Issue will amount to RM9,900,000 and the estimated listing expenses of RM1,500,000 will be written off against the Share Premium Account of RM6,900,000.

Proforma II

Proforma II incorporates the effects of Proforma I and the utilisation of the proceeds from the Public Issue net of the estimated listing expenses of RM1,500,000 as follows:

	RM
Capital investment	4,700,000
Working capital	2,400,000
Research and development expenditure	1,300,000
	<hr/>
	8,400,000



**14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER
(Cont'd)**
**SMR TECHNOLOGIES BERHAD AND ITS SUBSIDIARY
Proforma Consolidated Balance Sheets As At 30 September 2005**
**NOTES AND ASSUMPTIONS TO THE
PROFORMA CONSOLIDATED BALANCE SHEETS (Continued)**

2. The movements of the issued and paid-up share capital, share premium and reserve accounts of SMRT after taking into account the aforesaid transactions are as follows:

	Share Capital RM	Share Premium RM	Accumulated Profit RM
Audited balance as at 30 September 2005	7,000,000	3,000,002	3,479,451
Public Issue	3,000,000	6,900,000	-
	<u>10,000,000</u>	<u>9,900,002</u>	<u>3,479,451</u>
Estimated listing expenses	-	(1,500,000)	-
Proforma I and II	<u>10,000,000</u>	<u>8,400,002</u>	<u>3,479,451</u>

3. The movements in the cash and cash equivalent balance as a result of the above transactions are as follows:

	RM
Audited balance at 30 September 2005	187,300
Proceeds from Public Issue	9,900,000
Estimated listing expenses	(1,500,000)
Proforma I	<u>8,587,300</u>
Amounts earmarked for expenditure:	
- Capital investment	(4,700,000)
- Research and development expenditure	(1,300,000)
Proforma II (Note)	<u>2,587,300</u>

Note:

Included in the cash and cash equivalent as per Proforma II is an amount of RM2,400,000 from the Public Issue earmarked for working capital.



15. SUMMARY OF THE VALUATION REPORT

MOORE STEPHENS

CHARTERED ACCOUNTANTS
(FIRM NO: AF.0282)

8A Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur
Malaysia

Tel: 603 2094 1888
Fax: 603 2094 7673

Date: 10 FEB 2006

The Board of Directors
SMR HR Technologies Sdn. Bhd.
14-4, Jalan Bangsar Utama 1
Bangsar Utama
59000 Kuala Lumpur

Dear Sirs,

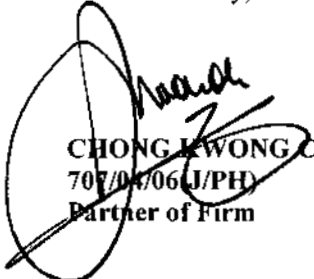
**Summary of the Independent Valuation Report of SMR HR Technologies Sdn. Bhd.
("SMRHRT")**

In accordance with your instruction, we have prepared the summary of the independent valuation report ("Valuation Report") of SMRHRT dated 2 July 2004 for the purpose of inclusion in the Prospectus of SMR Technologies Berhad ("SMRT") to be dated 22 FEB 2006 in connection with a Public Issue of 30,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.33 per ordinary share in SMRT and the listing and quotation of the entire issued and paid-up share capital of SMRT on the MESDAQ market of Bursa Malaysia Securities Berhad.

This Valuation Report should not, without our prior written consent, be made available to any third parties, other than those agreed above, and should not be used for any other purpose. Except where we have agreed expressly in writing to the contrary, we will not accept any liability or responsibility to any third party to whom our report is shown or into whose hands it may come.

We shall be pleased to meet you to discuss this Valuation Report and should you require any further information, please do not hesitate to contact us.

Yours faithfully,


CHONG KWONG CHIN
707/03/06 (J/PH)
Partner of Firm

15. SUMMARY OF THE VALUATION REPORT (Cont'd)

SMR HR TECHNOLOGIES SDN. BHD.
INDEPENDENT VALUATION REPORT

MOORE STEPHENS
CHARTERED ACCOUNTANTS
(FIRM NO: AF.0282)

DEFINITIONS

In this report, the following words and abbreviations shall have the following meanings:

DCF	:	Discounted Cash Flow
IT	:	Information Technology
Management	:	Management of SMR HR Technologies Sdn. Bhd.
MESDAQ	:	Malaysian Exchange of Securities Dealing & Automated Quotation
PER	:	Price Earnings Ratios
PIKOM	:	Association of the Computer and Multimedia Industry Malaysia
SMRHRT or the Company	:	SMR HR Technologies Sdn. Bhd.

15. SUMMARY OF THE VALUATION REPORT (Cont'd)

**SMR HR TECHNOLOGIES SDN. BHD.
INDEPENDENT VALUATION REPORT****MOORE STEPHENS**
CHARTERED ACCOUNTANTS
(FIRM NO: AF.0282)

1. We have been instructed by the board of directors of SMRHRT to ascertain the fair market value of SMRHRT using the generally accepted methods of valuation for the purpose of submission to Bursa Malaysia Securities Berhad and the Securities Commission in respect of the proposed flotation of SMR Technologies Berhad on the MESDAQ. We have carried out the task within the scope and limitations outlined in the Valuation Report on SMRHRT and with the information provided by the Management.

The financial forecast and projections and the related underlying assumptions of SMRHRT were provided and endorsed by the management of SMRHRT and are their sole responsibility. All the information including the financial forecast and projections, and opinions provided by the management and disclosed in the Valuation Report has been reviewed by the Directors of SMRHRT and is to the best of their knowledge, judgement and belief, fair, complete, reasonable and accurate in all material aspects. However, the achievement of the financial projections used in the Valuation Report is subject to a variety of factors, many of which are not foreseeable and beyond the control of the SMRHRT.

2. The IT industry in Malaysia has shown signs of recovery from the economic downturn that has been affecting its performance since the contagion effect spread to the country in 1998. Market billings have stabilised and are expected to grow again in tandem with economic revival in a number of service-centric sectors. The IT industry is also expected to grow in tandem with the improvement in the local economy and the government's encouragement to strengthen the IT capabilities of the nation.

(Source: PIKOM)

3. Based on our assessment of the industry, the market, past and future performances of SMRHRT, we have conducted our valuation exercise on the Company using the following bases:-

- Price Earnings Ratios ("PER") Basis
- Discounted Cash Flow ("DCF") Basis

4. **Price Earnings Ratios Basis**

Under the PER basis, the value of the Company's equity is directly related to the profits that the business has generated and is expected to generate, after considering the business and financial risks involved in its operations.

The value of the Company using the PER of 15.72 is **RM28.08 million**.

15. SUMMARY OF THE VALUATION REPORT (Cont'd)

**SMR HR TECHNOLOGIES SDN. BHD.
INDEPENDENT VALUATION REPORT****MOORE STEPHENS**
CHARTERED ACCOUNTANTS
(FIRM NO: AF.0282)

5. Discounted Cash Flow Basis

Under the DCF basis, the value of SMRHRT is determined by its cash flow forecasts and projections for the years from 2004 to 2008 . This method primarily employs cash flows recognised and requires an estimation of future earnings, growth in those earnings, the capital and working capital expenditure required to fuel growth and the Company's cost of capital.

The value of the Company using the DCF basis is **RM18.35 million** based on the discount rate of 6%.

6. Conclusions and Recommendation

Based on the basis that SMRHRT will be operating as a going concern, we are of the opinion that the price earnings ratios basis and discounted cash flow basis of valuation reflects more fairly the value of SMRHRT because of its future earnings capability. In addition, as SMRHRT has a reasonable track record for the past three years and continue to be profitable in the foreseeable future of the next three years as demonstrated by profit projections furnished by the Management, we have therefore used these bases to provide an indication of the fair value of the Company.

We are of the opinion that the fair value attributable to the Company ranges from **RM18.35 million to RM28.08 million**.

7. Issues to Consider

- (i) The IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. However, the Company would need to keep abreast with the latest technologies in order to compete successfully with its competitors, will be subject to the risks, uncertainties and problems frequently encountered by companies in the IT industry.
- (ii) The dynamic and rapid changes in the IT industry requires skilled professionals to keep abreast of evolving industry standards, persistently enhance and upgrade the products to adapt to the changing requirements and business environment in which SMRHRT's clients function. Competition in attracting and retaining such skilled professionals has proven to be intense and in which case, the loss of their services will significantly affect SMRHRT's operations and revenue.

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON

I N T E R N A T I O N A L D A T A C O R P O R A T I O N

(Prepared for inclusion in this Prospectus)

Date: 10 FEB 2006

SMR TECHNOLOGIES BERHAD
(Company No. 659523-T)
149-A Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur

Attention: Board of Directors

Executive Summary of Independent Market Research Report on the Human Resource Package Software Market

IDC has prepared an executive summary of the Independent Market Research Report on the Human Resource Package Software Market for SMR TECHNOLOGIES BERHAD. The following is a summary of the Independent Market Research Report prepared by us for the inclusion in the Prospectus of SMR TECHNOLOGIES BERHAD to be dated 22 FEB 2006 in relation to its listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

IDC has prepared this report in an objective manner and has taken all reasonable consideration and care to ensure the accuracy of the report. IDC is neither responsible nor liable for the decisions of the readers of this document. This report should not be viewed as a recommendation to buy or not to buy the shares of any companies or companies. Reproduction is forbidden unless authorized by IDC.

Yours faithfully,



Linus Lai
Research Director
IDC Malaysia

IDC Market Research (M) Sdn Bhd (392772-T)
Suite 13-03, Level 13, Menara HLA
3, Jalan Kia Peng, 50450 Kuala Lumpur

Tel: (603) 2163-3715 Fax: (603) 2163-5098


Analyze the Future

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)



MARKET ANALYSIS

Independent Market Research Report

Linus Lai

EXECUTIVE SUMMARY (EXCERPT)

13 September 2004

Selected tables and text updated 28 September 2005

Independent Market Research Report on Human Resource Package Software Market for Submission to Bursa Malaysia for SMR HR Technologies (SMRHRT) IPO Purpose.

Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.872.8200 F.508.935.4015 www.idc.com



IDC MARKET RESEARCH (M) SDN BHD
Company No: 392772-T
Suite 13-03, Level 13, Menara HLA
Jalan Kia Peng, 50450 Kuala Lumpur
Tel: (603) 2163 3715 Fax: (603) 2163 5098

Filing Information: September 2004, IDC #08/2004
: Market Analysis

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

How IDC sees the market

In July 2004, IDC published a document about Workforce Performance Management. IDC defines workforce performance management (WPM) as a dynamic, adaptable communication system that involves a combination of sponsors, managers, and employees.

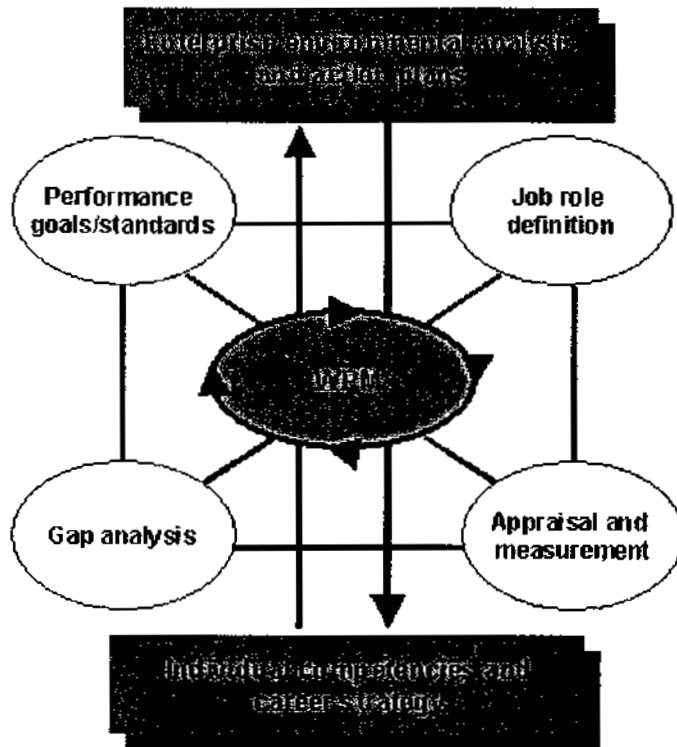
- Defining job roles and related competencies and developing an understanding of how these roles align to the mission and goals of the organization
- Setting clear performance standards and goals at appropriate levels within the organization
- Observing and measuring moves in key performance indicators at the individual and group levels
- Conducting written and oral performance appraisals giving and receiving feedback about performance as it relates to achievement of individual and organizational goals
- Assessing individual and organizational skills gaps impeding performance and developing plans to close them

The ongoing processes in the system can be translated in as seen in Figure 1.

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

FIGURE 1

Dynamics of Workforce Performance Management



Source: IDC, 2004

The Current State of the Market

The idea of enterprise WPM 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. 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.

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

The importance of competency management and evaluation is key to the success of WPM. In several case studies by IDC 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."

Position of SMRHRT

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 Human Resource (HR) matters such as payroll and time keeping. As a HR practitioner, SMR Group's experiences in the corporate world can influence the design on SMRHRT's software and functionality in a positive way.

An Overview of the Packaged Software Market Size and Forecast in Malaysia

As a local software developer, Malaysia is SMRHRT's largest market. By studying the Malaysia packaged software market, we could learn about the company's prospect in the industry before we move on to the overseas market opportunity.

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:

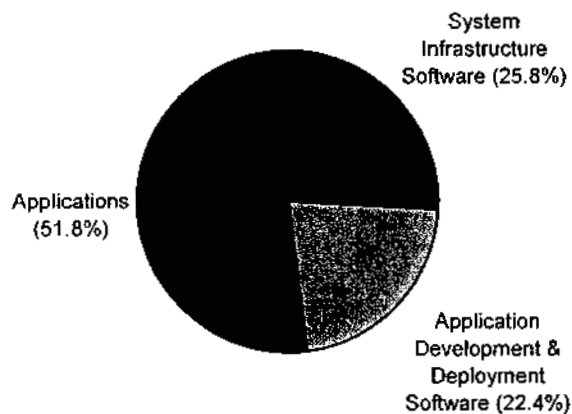
- Applications market (where SMRHRT products fall into),
- System Infrastructure Software market
- Application Development and Deployment Software market

In 2004, as displayed in Figure 2, 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).

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

FIGURE 2

Malaysia Packaged Software Market Breakdown by Primary Market, 2004



Total = US\$356.3m

Source: IDC, 2004

Market Accelerators

- ☒ Growing interest in HR measurement and scorecarding. Functional areas are expected to be run as a business. This is easier for some functions such as finance and operations, which have systems and measures in place and are thought of as strategic within an organization.
- ☒ The availability of vertical solutions with industry-best practices will promote the adoption of these solutions by industries. Most major vendors are enhancing their core applications with various industry-best practices such as those in the utilities, pharmaceutical, automotive, healthcare, and public sectors. Hence, enterprises will now have tangible justifications for ROI for industry-tailored applications.
- ☒ Offering off-the-shelf software and quick-implementation solutions such as those of SAP (All-in-One), Oracle (E-business Suite Special Edition) and PeopleSoft Inc. (Accelerated Solution), have drawn interest from SMEs to adopt these technologies. No-frill functionalities are also packaged to fit SME requirements.
- ☒ Automation gains competitiveness. Organizations now see business process automation or investing on back-office enterprise applications as a way to gain competitive edge or reduce costs in their respective industries.

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

Market Inhibitors

- ☒ Consolidation in the industry, especially in the telecommunications and banking sectors will restrict opportunities in the market and lead to more intense competition due to reduced market size.
- ☒ Although improving, SMEs' knowledge and implementation of HR applications are still nascent.

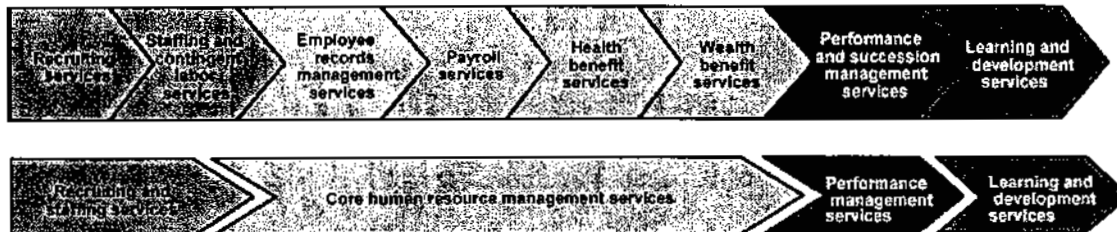
Conclusion

SMRHRT is positioned at the Performance Management Services and Learning and development services (right hand) part of the value chain and moving leftwards into the value chain. Peoplesoft is essentially where the 'green' arrow is on the 2nd value chain – in core HR management services.

SMRHRT's core strength is being able to link and integrate with other solutions such as Peoplesoft and leveraging from existing HR practitioners experience into the development of new software tools, platforms and applications. Its goal is also to move 'upward' in the value chain by providing HR Outsourcing services in the future.

FIGURE 3

Major Elements Within the HR Value Chain



Source: IDC, 2004

The marketplace can be divided according to services focus on specific processes within the HR function. This HR value chain (see Figure 8) includes:

- ☒ **Recruiting and staffing services.** These include executive and middle management search services, permanent hiring services, temporary and contingent staffing services, erecruiting job boards, end-to-end erecruiting service providers, testing and selection services, salary benchmarking services, background check services, and outplacement services.
- ☒ **Core HR management services.** These include services in the administration of payroll and payroll tax, health and welfare benefits administration, pension and

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

retirement benefits administration, employee and manager self-service delivery, employee communications design and administration, and services related to supporting the employee portal.

- ☒ **Performance management services.** These include services in employee competency testing and assessment, employee satisfaction surveys, performance reviews and appraisals, variable compensation design, tracking and administration, career planning and employee mobility, and leadership and succession planning. Performance management services also include competency assessments and competency planning and development functions, which is where SMRHRT is strong in.
- ☒ **Learning and development services.** These include the services that provide the learning content itself, the provisioning and support of the information technology infrastructure necessary to deliver and manage that content, and the professional services required to develop, deploy, manage, execute, and support a learning solution.

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 SMRHRT has already penetrated.

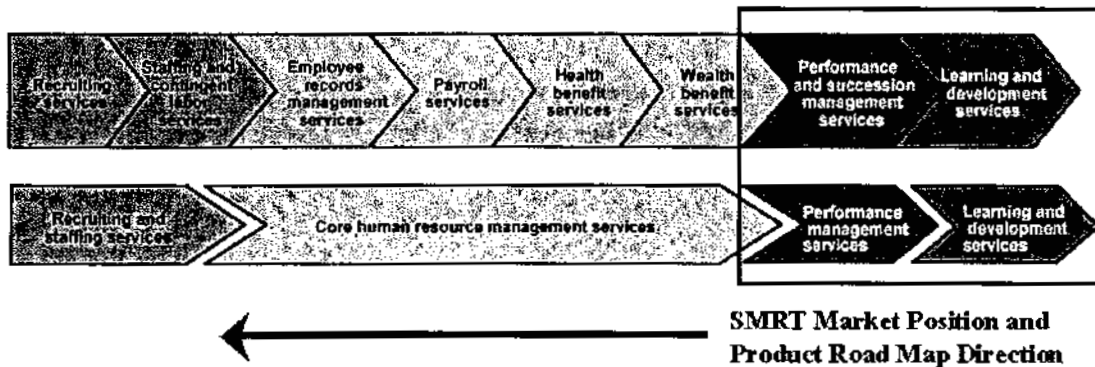
In Malaysia, the software license market alone for HR Management software (excluding Payroll software which SMRHRT does not compete in), is worth USD 6.13 in 2004. In this market, SMRHRT is next to SAP in sales revenue of its software. With the Proposed Listing of SMRHRT there is further potential of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

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)

FIGURE 4

SMRHRT's Market Position and Future Direction



Source: IDC, 2004

SMRHRT's roadmap integrates recruitment, core HR management services, performance management and learning modules as a total HR solution that manages an employee life-cycle. Its uniqueness will be exploring the relationship between an integrated HR solution and its clients' business objectives, which will vary from industry to industry.

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17. STATUTORY AND GENERAL INFORMATION

17.1 Share Capital

- (i) No shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of the issue of this Prospectus.
- (ii) There are no founder, management or deferred shares in the Company. There is only one class of shares in the Company being ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.
- (iii) Save as disclosed in Section 3.2 of this Prospectus, there are at present no other schemes involving the Directors or employees in the share capital of the Company or its subsidiary.
- (iv) Save as disclosed in Sections 5.2 and 5.5 of this Prospectus, no capital of SMRT or its subsidiary has, within two (2) years immediately preceding the publication of this Prospectus, been issued or is proposed to be fully or partly paid-up otherwise than in cash.
- (v) Save as disclosed in Sections 5.2 and 5.5 of this Prospectus, no capital of SMRT or its subsidiary has, within two (2) years immediately preceding the publication of this Prospectus, been issued or is proposed to be issued for cash.
- (vi) As at the Latest Practicable Date, the Group does not have any outstanding convertible debt securities.

17.2 Articles of Association

The following provisions are reproduced from the Company's Articles of Association. (The words and expressions appearing in the following provision shall bear the same meanings used in the Company's Articles of Association).

17.2.1 Remuneration of Directors

The provisions of the Articles of Association of the Company in respect of remuneration of Directors of SMRT are as follows: -

Article 99 - Directors Remuneration

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which the Director has held office Provided Always that:-

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)**Article 100 - Reimbursement of Expenses**

- (a) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- (b) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special excursions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member or a committee of Directors, the Directors may pay him extra remuneration, in addition to his Director's fees. The extra remuneration payable to non-executive Directors shall be by a fixed sum and not by a commission on or percentage of profits or turnover and the extra remuneration payable to executive Directors may not include a commission on or percentage of turnover.

17.2.2 Voting and borrowing powers of the Directors of SMRT in proposals, arrangements or contracts in which they are interested

The provisions of the Articles of Association of the Company in respect of the voting powers of the Directors of SMRT in proposals, arrangements or contracts in which they are interested and the borrowing powers exercisable by them and how such borrowing powers can be varied, are as follows: -

Article 104 - Directors' borrowing powers

- (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligations of the Company, or its wholly owned subsidiaries.
- (b) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligations of an unrelated third party.

Article 118 – Disclosure of interest

Every Director shall comply with the provisions of Sections 131 and 135 of the Act in connection with the disclosure of his shareholding and interest in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

Article 119 – Restriction on voting

A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a material interest (and if he shall do so his vote shall not be counted) nor shall his vote be counted for the purpose of any resolution regarding the same.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)**Article 120 – Relaxation of restriction on voting**

A Director notwithstanding his interest may provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or whereat any decision is taken upon any contract or arrangement in which he is in any way interested.

Article 121 – Power to vote

A Director may vote in respect of: -

- (a) an arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company, or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security.

17.2.3 Changes in capital and variation of class rights

The provisions of the Articles of Association of the Company in respect of changes in capital and variation of class rights which are no less stringent than those provided in the Act are as follows: -

Article 4 - Power to issue shares with special rights

Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to the Act and to these Articles, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend voting, return of capital, or otherwise as the Directors, subject to any or ordinary resolution of the Company, may determine.

Article 5 - Allotment of Shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:-

- (i) no shares shall be issued at a discount except in compliance with the provisions of Section 59 of the Act;
- (ii) in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than five per centum (5%) of the nominal amount of the share;
- (iii) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles and in the resolution creating the same;
- (iv) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members of the Company in general meeting;

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

- (v) every issue of shares or options to employees and/or Directors of the Company shall be approved by the Members in general meeting and no Directors shall participate in such issue of shares or options unless:-
- (a) the Members in general meeting have approved of the specific allotment to be made to such Directors; and
 - (b) he holds office in the Company in an executive capacity. A non-executive Director may only participate in an issue of shares if made pursuant to a public issue or offer for sale.

Article 11 - Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the share of that class) may, whether or not the Company is being wound up, be varied with the consent in writing or the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meetings the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary, quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holders of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary apply.

Article 12 - Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further share ranking as regards participations in the profits or assets of the Company in some or in all respects pari passu therewith.

Article 57 - Power to increase capital

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.

Article 61 - Power to alter capital

The Company may by ordinary resolution:-

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (ii) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given, any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; and
- (iii) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

Article 62 - Power to reduce capital

The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner subject to any conditions and any consents required by law.

17.2.4 Transfer of securities

The provisions of the Articles of Association of the Company in respect of the arrangement for the transfer of securities of SMRT and restrictions on their free transferability are as follows: -

Article 32 - Transfers of Securities

The transfer of any listed securities or class of listed securities of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to sub-section 107C(2) of the Act and any exemption that may be made from compliance with sub-section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

Article 33 - Transfer in writing

In the event that the Company is no longer on the Official List of the Securities Exchange by virtue of it being privatised or delisted, subject to the Act, the Central Depositories Act, the Rules (with respect to transfer of a deposited security) and these Articles, any Member may transfer all or any of his shares by instrument in writing in the form prescribed and approved by the Securities Exchange or such relevant authorities of the stock exchanges on which the Company's shares are listed and the Companies Commission of Malaysia. The instrument shall be executed by or on behalf of the transferor and the transferee and the transferor shall remain the holders of the shares transferred until the transfer is registered and the name of the transferee is entered in the register of Members in respect thereof.

Article 34 - Transfer

Subject to the Central Depositories Act and the Rules, the instrument of transfer must be left for registration at the Office together with such fee not exceeding Ringgit Malaysia Three (RM3-00) per transfer or such sum as may from time to time be permitted by the Securities Exchange or such relevant authorities of the stock exchanges on which the Company's shares are listed and quoted plus the amount of the proper duty with which each such certificate is chargeable under any law for the time being in force relating to stamps as the Directors from time to time may require accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor, to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by these Articles register the transferee as a shareholder and retain the instrument of transfer. There shall be no restriction on the transfer of fully paid shares except where required by law.

Articles 35 & 36 - Refusal to register

- (a) There shall be no restriction on the transfer of fully paid securities of the Company except where required by law.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

- (b) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognized as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

If the Directors decline to register any transfer pursuant to Article 35 hereof they shall within ten (10) Market Days after the date on which the transfer was lodged with the Company send to the lodging broker and/or to the transferee and/or to the transferor notice of such refusal and the precise reasons thereof.

Article 43 - Transmission of securities from Foreign Register

- (1) Where:-

- (a) the securities of the Company are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act 1991 or Section 29 of the Securities Industry (Central Depositories)(Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register") to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, the Company (when it fulfils the requirements of subparagraph (1)(a) and (b) above) shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.

17.2.5 Rights of the holder of the securities

The provisions of the Articles of Association of the Company in respect of the rights of the holder of the securities are as follows: -

Articles 160 & 161 - Distribution of assets in specie

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

Save that this Article shall be without prejudice to the rights of holders of shares issued upon special terms and conditions the following provisions shall apply: -

- (a) If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively; and
- (b) If in a winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up the excess shall be distributed, among the Members in proportion to the capital paid-up, or which ought to have been paid up at the commencement of the winding-up on the shares held by them respectively.

Article 162 - Voluntary liquidation

On the voluntary liquidation of the Company, no commission or fee shall be paid to the liquidator unless it shall have been approved by Members. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which it is to be considered.

17.3 Directors and Substantial Shareholders

- (i) The names, addresses and occupations of the Directors are set out in Section 1 of this Prospectus.
- (ii) A Director is not required to hold any qualification shares in the Company unless otherwise so fixed by the Company in general meeting.
- (iii) Based on the Register of Directors of SMRT as at the Latest Practicable Date, the Directors of the Company and their respective shareholdings, direct and indirect, in the shares of the Company immediately 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	%	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 Manickam	Malaysian	-	-	-	-	200,000	0.20	-	-
Ajay Kumar Arya	American	-	-	-	-	200,000	0.20	-	-
Haji Ishak Bin Hashim	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.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

- (iv) Based on the Register of Substantial Shareholders as at the Latest Practicable Date, the substantial shareholders of the Company and their respective interests, direct and indirect, in the shares of the Company immediately before and after the Public Issue are as follows:-

Name of Directors	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	41,999,980	60.00	-	-	41,999,980	42.00	-	-
Dr. Palan	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

- (v) None of the Director of the Company has any interest, direct or indirect, in the promotion of, or in any assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed of or proposed to be disposed of by or proposed to be leased to, the Company and its subsidiary or in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company and its subsidiary taken as a whole, save as disclosed in Section 11.5 of this Prospectus.
- (vi) None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus, which is significant in relation to the business of the Company and its subsidiary.
- (vii) 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 in section 9.7 of this Prospectus.
- (viii) None of the Directors of the Company or key management or technical personnel of the Group has any interest, direct or indirect, in any company carrying on a similar trade as the Company or its subsidiary.
- (ix) 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.
- (x) As at the Latest Practicable Date, neither the Company nor its subsidiary are 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 or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the SMRT Group.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

17.4 General

- (i) The nature of the business of the Group is as described under Section 5.5 and 5.6 of this Prospectus. The corporations which are deemed to be related to the Company by virtue of Section 6 of the Act have been disclosed in Section 5.5 of this Prospectus.
- (ii) The date and time of the opening of the Application Lists of the Public Issue is as set out under Section 16.1 of this Prospectus.
- (iii) The amount payable in full on application is RM0.33 per Public Issue Share.
- (iv) The name and address of the Auditors and Reporting Accountants are set out in Section 1 of this Prospectus.
- (v) Save as the proposed purchase of property for the purpose of the setting up of a new office as disclosed in Section 3.7 of this Prospectus, no properties have been acquired or is proposed to be acquired by the Company or its subsidiary in conjunction with the Public Issue.
- (vi) The aggregate expenses incidental to the listing of SMRT is estimated at RM1.5 million and will be borne by the Company.
- (vii) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is as set out in Section 17.4 of this Prospectus.
- (viii) The Company and its subsidiary have not established a place of business outside Malaysia.
- (ix) Save as disclosed in this Prospectus, the Directors of the Company are not aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which would materially affect the profits of the Group.
- (x) Save as disclosed in this Prospectus, the financial conditions and operations of SMRT and its subsidiary are not affected by any of the following:-
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the liquidity of the Group increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that the Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.
- (xi) Other than the 2,500,000 of the Public Issue Shares allocated for the eligible Directors and employees of the SMRT Group, there are no schemes involving the staff in the share capital of the Company or its subsidiary as at the date of this Prospectus.
- (xii) Save for the underwriting commission, placement fee and brokerage referred to in Section 3.8 of this Prospectus, no commissions, discounts, brokerages or other special terms has been paid or payable by the Company and/or its subsidiary for the preceding two (2) years from the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any shares in or debentures of the Company and its subsidiary and in connection with the sale or issue of any capital of the Company or any of its subsidiary and no Director or proposed Director or Promoter or expert is or entitled to receive any such payment.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

- (xiii) Save as disclosed in Sections 3.7 and 3.8 of this Prospectus, there is no amount or benefit paid or payable by SMRT within the two (2) preceding years of the date of this Prospectus as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or debentures of SMRT or its subsidiary and no Director or Promoter or expert is or are entitled to receive any such commission.
- (xiv) No person has been or is entitled to be given an option to subscribe for any shares or debentures of the Company or its subsidiary.
- (xv) As at the date of this Prospectus, SMRT and its subsidiary does not have any loan capital outstanding or created but unissued, convertible debt securities, mortgages or charges.
- (xvi) The Promoters will, directly and indirectly, jointly and severally, exercise control over the Company and will hold 68.50% of the enlarged issued and paid-up share capital of SMRT upon listing on the MESDAQ Market.

17.5 Expenses and Commission

- (i) Underwriting commission is payable by the Company to the Underwriters at the rate of 2.0% of the Issue Price of RM0.33 per Public Issue Share on the Public Issue Shares being underwritten.
- (ii) Placement fee is payable by the Company to the Placement Agents at the rate of 0.5% of the Issue Price for places identified and secured by SMRT and at the rate of 1.5% of the Issue Price for places identified and secured by the Placement Agents.
- (iii) Brokerage at the rate of 1.0% of the Issue Price of RM0.33 per Public Issue Share is payable by the Company in respect of successful applications bearing the stamp of Affin Merchant, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.
- (iv) An estimated RM1.5 million in respect of expenses and fees incidental to the listing of and quotation for the entire issued and paid-up shares capital of SMRT on MESDAQ Market will be borne by the Company.

17.6 Material Contracts

Save as disclosed below, there are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiary within the two (2) years preceding the Latest Practicable Date:-

- (i) On 30 December 2003, SMRHRT entered into a Deed of Assignment. The purchase consideration was arrived at on a willing buyer willing seller basis after taking into consideration the R&D costs of the HRDPower™ software system up to 30 December 2003 of RM1.78 million. The acquisition of HRDPower™ software system was completed on 30 December 2003;
- (ii) SMRT entered into a Sale of Shares Agreement on 27 August 2004 with the Vendors of SMRHRT for the acquisition of the entire issued and paid-up share capital of SMRHRT, comprising 10,005 ordinary shares of RM1.00 each, for a total purchase consideration of RM10,000,000. The purchase consideration was arrived at on a willing buyer willing seller basis after taking into account the valuation of SMRHRT by Messrs Moore Stephens ranging from RM18.35 million to RM28.08 million as enclosed in Section 15 of this Prospectus. The purchase consideration was satisfied by the issuance of 6,944,444 ordinary shares of RM1.00 each in SMRT at an issue price of RM1.44. The Acquisition of SMRHRT was completed on 3 September 2004;

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

- (iii) Letter of appointment dated 27 January 2004 whereby SMRT had appointed Affin Merchant as the Adviser and Sponsor to SMRT for a period of at least one (1) year for the date of the Company's listing on the MESDAQ market as required under the Listing Requirements;
- (iv) Underwriting Agreement dated 14 November 2005 between SMRT and Affin Merchant whereby Affin Merchant agrees to underwrite 5,000,000 Public Issue Shares at an underwriting commission of 2.00% of the Issue Price of RM0.33 per share. Further details of the salient terms of the Underwriting Agreement are disclosed in Section 3.9 of this Prospectus;
- (v) Letter dated 16 November 2005 whereby SMRT had appointed Public Merchant as the Placement Agent in respect of the private placement of up to 18,000,000 Public Issue Shares for a placement fee at the rate of 0.5% of the Issue Price for placees identified and secured by SMRT and at the rate of 1.5% of the Issue Price for placees identified and secured by Public Merchant.; and
- (vi) Letters dated 16 November 2005 and 17 January 2006 whereby SMRT had appointed MIDF Sisma as the Placement Agent in respect of the private placement of up to 22,000,000 Public Issue Shares for a placement fee at the rate of 0.5% of the Issue Price for placees identified and secured by SMRT and at the rate of 1.5% of the Issue Price for placees identified and secured by MIDF Sisma.
- (vii) Letter dated 15 December 2005 whereby SMRT had appointed Avenue Securities as the Placement Agent in respect of the private placement of up to 15,000,000 Public Issue Shares for a placement fee at the rate of 1.5% of the Issue Price for placees identified and secured by Avenue Securities.

17.7 Material Agreements

Save as disclosed below, there are no other subsisting material agreements entered into in the ordinary course of business carried on or intended to be carried on by the Group which have been entered into by the Company and its subsidiary 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 in Section 9.7 of this Prospectus.

17.8 Insurance Policies

As at the Latest Practicable Date, the Group has purchased the following types of insurance policies:-

Assets insured	Insurer	Type of insurance	Commencement and expiry	Coverage amount RM
S03A, 2nd Floor, Block 2300, Century Square, Cyberjaya No. 1, Jalan Usahawan, 63000 Cyberjaya.	AIA Co. Ltd.	Fire Insurance being coverage for:- ◆ Machinery, equipment and utensils ◆ Furniture, fixtures and fittings ◆ Renovation.	19 September 2005 to 18 September 2006	100,000
Perodua132	AIA Co. Ltd.	Motor Insurance	5 November 2005 to 4 November 2006	25,000
Naza Ria -- WLM 5132	AIA Co. Ltd.	Motor Insurance	5 February 2006 to 4 February 2007	85,000

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

17.9 Public Take-overs

During the last financial year and the current financial year up to the Latest Practicable Date, there were no:-

- (i) public take-over offers by third parties in respect of the Company's and its subsidiary's securities; and
- (ii) public take-over offers by the Group in respect of other companies' securities.

17.10 Letters of Consent

- (i) The written consents of the Adviser, Sponsor, Underwriter, Solicitors, Principal Bankers, Share Registrars, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report, and their letters relating to the Proforma Consolidated Balance Sheet in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consent of Messrs Moore Stephens to the inclusion in this Prospectus of their names, valuation report letter in the form and context in which it is contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (iv) The written consent of IDC to the inclusion in this Prospectus of its names, executive summary of the IDC Report and the extractions of any of section of the IDC Report in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (v) The written consent of Public Merchant as the Placement Agent to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (vi) The written consent of MIDF Sisma as the Placement Agent to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

17.11 Responsibility Statements

- (i) This Prospectus has been seen and approved by the Directors of the Company and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.
- (ii) Affin Merchant Bank Berhad, being the Adviser, Sponsor and Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Public Issue.

17. STATUTORY AND GENERAL INFORMATION (Cont'd)

17.12 Documents available for Inspection

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours for a period of twelve (12) months from the date of this Prospectus:-

- (i) Memorandum and Articles of Association of the Company;
- (ii) Directors' Report and Accountants' Report referred to in Sections 12 and 13 of this Prospectus;
- (iii) Reporting Accountants' Letters relating to the Proforma Consolidated Balance Sheets as at 30 September 2005 included in Section 14 of this Prospectus.
- (iv) Summary of the valuation report letter as included in Section 15 and the valuation report by Messrs Moore Stephens;
- (v) Executive summary of the IDC Report as included in Section 16 of this Prospectus;
- (vi) The IDC Report;
- (vii) The audited consolidated financial statements of SMRT for the financial year ended 31 December 2004 and for the nine (9) month period ended 30 September 2005;
- (viii) The audited financial statements of SMRHRT for the four (4) financial years ended 31 December 2004, 2003, 2002 and 2001 and for the nine (9) month financial period ended 30 September 2005;
- (ix) Service agreement dated 1 July 2004 between SMRHRT and Dr. Palan as referred to in Section 17.7 of this Prospectus;
- (x) Material contracts referred to in Section 17.6 of this Prospectus;
- (xi) Letters of consents referred to in Section 17.10 of this Prospectus; and
- (xii) Insurance policies referred to in Section 17.8 of this Prospectus.