

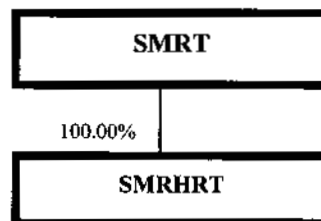
2. SUMMARY INFORMATION

THE FOLLOWING IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE SMRT GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE PUBLIC ISSUE SHARES.

2.1 History and Business

SMRT was incorporated in Malaysia as a private limited company under the Act on 14 July 2004 under the name of SMR Technologies Sdn Bhd and was converted into a public limited company and adopted its present name on 11 September 2004. SMRT is principally an investment holding company and has a wholly owned subsidiary, SMRHRT.

The Group's current corporate structure is set out below:-



A summary of the details of SMRT's subsidiary is as follows:-

Subsidiary	Date / place of incorporation	Issued and paid-up share capital RM	Effective equity interest	Principal activities
SMRHRT (awarded MSC status by MDC on 29 January 2001)	26 January 2001 / Malaysia	100,000	100%	Involved in software development, specialising in human capital development and the provision of a comprehensive range of HRM competency systems and related services.

SMRHRT was incorporated as a private limited company under the Act on 26 January 2001. SMRHRT currently has an authorised and paid up share capital of RM100,000 and RM100,000 respectively. SMRHRT was awarded the MSC status by MDC on 29 January 2001 and presently enjoys tax-free incentives on income derived from MSC related activities for up to ten (10) years from 29 January 2001.

2. SUMMARY INFORMATION (Cont'd)

The SMRT Group focuses on HR competency management solutions and web-based on-line learning facility which operate on the HRDPower™ software system which was created by Dr. Palan. The HRDPower™ software system was originally conceived and developed in Australia in the years 1998-1999 by Dr. Palan due to the competency boom in Australia and further development was initiated in Australia because of the availability of ICT talent which was then not easily accessible in Malaysia. However, when the competency management market generated a boom in ASEAN, Dr. Palan relocated the R&D of the HRDPower™ software system to Malaysia in 2001. With the formation of the MSC, SMRHRT was able to import to Malaysia the ICT talent and knowledge workers from overseas such as India where there is an abundance of ICT talent. Furthermore, in line with the Government's call to develop more Malaysian products and local talent, Dr. Palan brought the technology back to Malaysia to complete the development of a world-class product that is truly Malaysian.

The objective of the SMRT Group is to provide a one-stop digital centre for human capital development in the digital age through two (2) key initiatives which are as follows:-

- (i) to develop human capital competency development and performance management software and a web-based on-line learning management system; and
- (ii) to provide related services such as implementation consultancy, web services and HR outsourcing.

In view of the above objective, the SMRT Group has successfully developed and marketed worldwide a unique human capital management and development system called HRDPower™ to address the above initiatives. The SMRT Group has acquired a wide and diverse customer base in the Malaysian and global markets and it has established a solid base of clientele in Malaysia amongst the medium to large enterprises by providing them exceptional value through its software applications. The HRDPower™ software system is presently being utilised by organisations in thirty-one (31) countries worldwide with customers in South, East and West Asia, Australia, USA, Europe, Africa and ASEAN countries.

HRDPower™ software system is the result of the alignment between functional expertise in HR competency development and technological expertise. The HRDPower™ software system is a response to the worldwide trend in managing occupational competency standards for superior performance. The UK, USA, Canada and other developed nations have been extensively embarking upon competency development, performance management and on-line learning as a result of the business changes in the world. HRDPower™ software system automates the entire process of competency development, deployment and management, performance management, training needs analysis, succession planning and eLearning facilities which adds value directly to organisational strategy with its intuitive simulations to present decision makers with relevant and timely management information.

The HRDPower™ software system addresses organisational limitations arising from a lack of competency in the workforce of an organisation with a focus on enabling the users, specifically the employers or an organisation's HR division, to customise the HRDPower™ software system to suit their specific requirements thus allowing a high level of flexibility. eLearning is a complementary product to the HRDPower™ software system provided by SMRT and offered as an additional module delivering training and education over the Internet to end-user devices. The HRDPower™ software system provides employers with the ability to:-

- (1) assess the competency of its employees in relation to their designated post in the organisation;
- (2) identify any shortcomings from lack of employee competency;
- (3) assess, identify and plan the relevant training required for every employee to address any competency shortfall;
- (4) manage the performance management process; and

2. SUMMARY INFORMATION (Cont'd)

- (5) manage the succession plans and talent pipelines for continued competitiveness of the organisation.

The HRDPower™ software system is unique in the market place as unlike other HR solutions which focus on operational HR matters such as payroll and time-keeping, the HRDPower™ software system focuses on the productivity and competency of the employees and the effects on an organisation's bottom line. The 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, the HRDPower™ software system has a longer product life cycle than most typical software products. Furthermore, in today's competitive climate, the availability of competency libraries within HRDPower™ creates a special niche for SMRT.

The SMRT Group has pursued a strong service and product strategy to retain its current clientele as well as to expand its clientele. The SMRT Group has provided a high quality service and this is evident by the one hundred percent (100%) customer retention rate in the last three (3) years and the renewal of annual maintenance contracts by all the Group's customers.

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.

Further information on the SMRT Group is disclosed in Section 5 of this Prospectus.

2.2 Ownership and Management

(i) Promoters / Substantial shareholders

Based on the Register of Members of SMRT as at the Latest Practicable Date, the direct and indirect interests of the Promoters / substantial shareholders in the issued and paid-up share capital of SMRT 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.

2. SUMMARY INFORMATION (Cont'd)

(ii) Directors

Based on the Register of Directors of SMRT as at the Latest Practicable Date, the direct and indirect interests of the Directors of SMRT in the issued and paid-up share capital of SMRT 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
Kamatichi	Malaysian	7,010	0.01	68,492,990**	97.85	7,010	0.01	68,492,990**	68.49
Dr. Nadarajah a/l Manuckam	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, Kamatichi's, shareholdings in SMRT.

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

2. SUMMARY INFORMATION (Cont'd)

(iii) Key Management and Key Technical Personnel

Based on the Register of Members of SMRT as at the Latest Practicable Date, the direct and indirect interests of the key management and key technical personnel of the Group in the issued and paid-up share capital of SMRT before and after the Public Issue are as follows:-

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

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.

2. SUMMARY INFORMATION (Cont'd)

2.3 Technology, Intellectual Property and R&D Capabilities

2.3.1 Technology

The HRDPower™ software system currently uses front-end tools such as Visual Basic 6, VB.net and ASP.net to develop the programme. The software can be interfaced with any database or device. The code combined with Visual Basic.net technology provides for multiple language capabilities. The system provides for value based HR by being enterprise driven rather than being transactional through the web-enable facilities.

2.3.2 Intellectual Property

The SMRT Group regards its IP rights as critical to its continued success and has taken steps, which it believes to be necessary and customary in its industry to protect its rights to that IP. The Group owns IP rights in the HRDPower™ software system.

On 30 December 2003, SMRHRT entered into a Deed of Assignment assigning the copyright of HRDPower™ from SMR, the architect and designer of HRDPower™ software system, to SMRHRT. The HRDPower™ software system was purchased from SMR for a purchase consideration of RM900,000 satisfied by cash. 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. Pursuant to the Deed of Assignment, SMRHRT is allowed to resell the HRDPower™ software system in any form or price and can make any changes or enhancement to the source programs. The HRDPower™ software system is acquired together with the IP rights, domain, copyrights and all documentations associated with it.

2.3.3 R&D Capabilities

As at the Latest Practicable Date, the SMRT Group's R&D team comprises seventeen (17) full-time professionals conducting in-house R&D. The Group is committed in providing continuous R&D efforts to keep abreast of market developments and trends and to enable it to tap into new markets and to ensure the long-term sustainability of its business. The responsibilities of the R&D team are as follows:-

- (i) to develop and market a HRD or eLearning alliance hub that will use new HRM technologies specific to global HRD;
- (ii) to develop new HRM functionalities such as on-line staff performance monitoring, portfolio management system, logistic tracking system and real time competency management system;
- (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.

Further details of the Group's technology, IP and R&D capabilities are set out in Sections 5.7 and 5.10 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.4 Competitive Strengths

The SMRT Group has developed the following competitive strengths which the Directors believe will provide the Group with a competitive advantage over its competitors:-

- (i) Ease of use as a key feature of HRDPower™ software system is the ability for the user to 'self-service' component available within the product. This enables them to use the product without any intervention from a third party.
- (ii) The SMRT Group has an early mover advantage in the market over potential competitors as the core competence of the HRDPower™ software system is difficult to imitate as this has been worked and refined in the marketplace and will require research and time to duplicate. It is virtually impossible to imitate or copy as the continuous R&D is a key feature within SMRT. The Company has an advantage as it is ahead by many years due to its R&D in this area.
- (iii) It is a niche product essentially concerned with the productivity and competency of the employee and the effect on the company's bottom line unlike solutions provided by other HR software providers which focus on operational HR matters such as payroll and time keeping.
- (iv) The presence of a management team under the guidance of the Board of Directors and its professional panel of HR experts in various fields has kept the SMRT Group abreast with the trend of technological development taking place in the HR sector.
- (v) The 'SMRT' and 'Dr. Palan' brands are recognised for delivering high quality and cost effective HR products.
- (vi) The SMRT Group's success in the HRD and competency software development sector of the HRM stems from its effective revenue model. The Group's revenue model is based on multiple streams of revenue for the Company and built upon the experience of the management of the SMRT Group as HR professionals and the potential income foreseen in the market.
- (vii) SMRT is able to reach potential customers in a cost effective manner as marketing of both the products and services of the SMRT Group is achieved via active participation in HR congresses around the world and via presentations to capture the attention of targeted and potential users.
- (viii) The SMRT Group has a balanced team of talented developers, sales and marketers, researchers, managers and leaders who are dedicated and committed towards achieving the objectives of the SMRT Group.
- (ix) The experience gained through working with a customer within the industry is captured in the internal knowledge management system allowing for future customisation and implementation to be made for the customer in less lead-time.

Further details of the SMRT Group's competitive strengths are set out in Section 5.9 of this Prospectus.

2.5 Risk Factors

Prior to making an investment in the Public Issue Shares, prospective investors should carefully consider the following risk factors inherent in and affecting the business of the Group in addition to the other information contained elsewhere in this Prospectus. Factors that could cause or contribute to such differences include, but are not limited to those discussed in Section 4 "Risk Factors" of this Prospectus but also include those highlighted throughout this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

The key risk factors (which may not be exhaustive) that may affect the Group's future profitability are (but not limited to) financial risk, market risks and industry risks as follows:-

- (i) Business risks
 - ◆ Competitive risks
 - ◆ Dependence on Directors and key personnel
 - ◆ Rapid technological and product/service changes
 - ◆ Failure in the transfer of knowledge and technology
 - ◆ Market uncertainties
 - ◆ Demand for products
 - ◆ Risks associated with distribution channels
 - ◆ Changes in the political, economic and regulatory environment
 - ◆ Uncertainty of the Five (5) Year Business Development Plan
 - ◆ Regional operations
 - ◆ Foreign exchange risks
 - ◆ Regulatory risks
 - ◆ Risk of security and system disruptions
- (ii) Investment Risks
 - ◆ No prior market for the SMRT Shares
 - ◆ Ownership and control by the substantial shareholders
 - ◆ Termination of the Underwriting Agreement
- (iii) Other Risks
 - ◆ Market positioning
 - ◆ Disclosure regarding forward-looking statements
 - ◆ Delay in or abortion of the Listing
 - ◆ Change or loss of MSC Status
 - ◆ Piracy of IP
 - ◆ Financial constraints

Further information on the above risk factors is set out in Section 4 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.6 Proforma Consolidated Income Statement

The table below sets out a summary of the proforma consolidated income statements of the SMRT Group 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 RM3,573,200.
- (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.

2. SUMMARY INFORMATION (Cont'd)

2.7 Proforma Consolidated Balance Sheet

The table below sets out the summary of the proforma consolidated balance sheets of the SMRT Group as at 30 September 2005, for illustrative purposes only, to show the effects on the audited consolidated financial statements of the SMRT Group on the assumption that the Public Issue and the utilisation of proceeds was completed on 30 September 2005 and should be read with the notes and assumptions to the proforma consolidated balance sheets of the SMRT Group as set out in Section 14 of this Prospectus.

	Audited as at 30 September 2005 RM	(I) After Public Issue RM	(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
	11,383,986	11,383,986	17,383,986
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 a related party	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

2. SUMMARY INFORMATION (Cont'd)

	Audited as at 30 September 2005 RM	(I) After Public Issue RM	(II) After (I) and Utilisation of funds RM
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 profits	3,479,451	3,479,451	3,479,451
Shareholders' funds	13,479,453	21,879,453	21,879,453
NTA	6,398,718	14,798,718	14,798,718
Number of shares in issue	70,000,000	100,000,00	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.

Further details of the Group's proforma consolidated balance sheets are disclosed in Section 14 of this Prospectus.

2.8 Audit Qualifications in the Audited Financial Statements for the Past Five (5) Financial Periods / Years

The auditors' reports for SMRT and SMRHRT for the financial periods/years under review were reported upon without any qualification except for SMRHRT with the modified auditors' reports for the financial period ended 31 December 2001 and financial year ended 31 December 2002.

In both period/year, the auditors have, in their reports, drawn attention that in common with many businesses of similar size and organisation, SMRHRT's system of internal controls is dependent upon the close involvement of the Directors (who are also major shareholders) and in this circumstance, they had to rely upon representations from the Directors that all the SMRHRT's transactions have been reflected and properly recorded in the financial statements for the period ended 31 December 2001 and the financial year ended 31 December 2002, in particular revenue amounting to RM112,191 and RM207,437 respectively.

2. SUMMARY INFORMATION (Cont'd)

2.9 Principal Statistics Relating to the Public Issue

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with that text:-

(i) Share capital	RM
<i>Authorised</i> 250,000,000 SMRT Shares	<u>25,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i> 70,000,000 SMRT Shares	7,000,000
<i>To be issued pursuant to the Public Issue</i> 30,000,000 SMRT Shares	3,000,000
<i>Enlarged issued and fully paid-up share capital</i> 100,000,000 SMRT Shares	<u><u>10,000,000</u></u>

(ii) Classes of Shares and Ranking

There is only one class of shares in the Company, being ordinary shares of RM0.10 each. The Public Issue Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares of SMRT at the time of issue, including voting rights, and will be entitled to all rights, and dividends and distribution that may be declared, paid or made subsequent to the date of allotment thereof.

(iii) Public Issue Price for each Public Issue Share RM0.33

(iv) Market Capitalisation

The market capitalisation of SMRT upon Listing, based on the Public Issue Price of RM0.33 per Public Issue Share RM33,000,000

(v) Proforma Consolidated NTA of the SMRT Group as at 30 September 2005

Proforma consolidated NTA RM14,798,718
(after the Public Issue and utilisation of proceeds)

Proforma consolidated NTA per SMRT Share RM0.15
(based on the enlarged issued and paid-up share capital of 100,000,000 SMRT Shares after the Public Issue)

Details of the proforma consolidated balance sheet of the SMRT Group are set out in Section 14 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.10 Proposed Utilisation of Proceeds

The total gross proceeds from the Public Issue of RM9,900,000 shall accrue entirely to the Group and are expected to be utilised by the Group as follows:-

Details of Utilisation	Amount of proceeds RM'000	Estimated time frame for utilisation	
		For the financial year ending 31 December	
		2006 RM'000	2007 RM'000
Capital investment	4,700	4,700	-
Working capital	2,400	2,400	-
R&D	1,300	800	500
Estimated listing expenses	1,500	1,500	-
Total	9,900	9,400	500

Detailed information on the utilisation of proceeds is set out in Section 3.7 of this Prospectus.

2.11 Working Capital, Borrowings, Material Litigation, 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 Public Issue, 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 Litigation

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.

(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 SMRT Group which, upon becoming enforceable, may have a material impact on the financial position of the SMRT Group.

(v) Contingent Liabilities

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

3. PARTICULARS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 22 February 2006.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has been lodged with the ROC who takes no responsibility for its content.

Approval has been obtained from the SC for the Listing on 9 September 2005. An application will be made to Bursa Securities within three (3) Market Days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of SMRT on the MESDAQ Market. Any allotment and allocation made on an application to subscribe for securities pursuant to this Prospectus shall be void if permission is not applied for in the form for the time being required by Bursa Securities before the third day on which Bursa Securities is open after the date of issue of the Prospectus or the permission is not granted before the expiration of six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of Bursa Securities within six (6) weeks or such longer period as may be specified by the SC. Bursa Securities and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary or of its Shares. Investors should rely on their own evaluation to assess the merits and risks of any investments in the Group. The Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that the CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to the successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the SMRT Shares as prescribed securities to be deposited with the Bursa Depository. In consequence thereof, all the SMRT Shares including the Public Issue Shares to be issued through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the Bursa Depository. No share certificates will be issued to successful applicants.

Persons submitting application by way of Application Form or Electronic Share Application must have a CDS account. In the case of an applicant by way of Application Form, an applicant should state his CDS account number in the space provided in the Application Form. Where an applicant does not presently have a CDS Account, he/she should open a CDS Account at an ADA prior to making an application for the Public Issue Shares. In the case of an applicant by way of Electronic Share Application, **only an individual** who has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his CDS account number if the instructions on the ATM screen at which he or she enters his or her Electronic Share Application requires him or her to do so. **A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.**

Pursuant to the Listing Requirements, at least 25% but not more than 49% of the total number of shares for which listing is sought must be in the hands of public shareholders and a minimum number of 200 public shareholders holding not less than 100 shares each upon completion of the Public Issue and at the time of SMRT's admission to the Official List of the MESDAQ Market. The Company is expected to achieve this at the point of listing. In the event the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing. As such, the full amount of monies paid in respect of any application accepted, without interest, will be returned and thereafter, the applicants for the SMRT Shares will not have any other claims whatsoever against SMRT or any other party named in this Prospectus, if the said permission is not granted.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by SMRT. Neither the delivery of this Prospectus nor any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares will not be registered under any possible securities legislation of any other jurisdictions except Malaysia and the Public Issue Shares will not be placed in any other country other than Malaysia. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such an offer and invitation is unauthorised or unlawful, or to any person to whom it is unlawful to make such an invitation. SMRT and Affin Merchant take no responsibility whatsoever for the distribution of this Prospectus or for the sale of the Public Issue Shares outside Malaysia.

If you are in doubt of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

3.2 Details of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon the acceptance of Applications, the Public Issue Shares shall be allocated in the following manner:-

(i) Eligible Directors and employees of the SMRT Group

2,500,000 Public Issue Shares are reserved for eligible Directors and employees of the SMRT Group, and all have been allocated to four (4) Directors and twenty-five (25) employees of the SMRT Group based on their respective positions and number of years of service with the Company as approved by the Board.

Details of the allocation to the four (4) Directors are as follows:-

Name	Designation	No. of Public Issue Shares
Ajay Kumar Arya	Executive Director	200,000
Dr. Nadarajah a/l Manickam	Executive Director	200,000
Haji Ishak Bin Hashim	Independent Non-Executive Director	100,000
Leow Nan Chye	Independent Non-Executive Director	100,000
Total		600,000

(ii) Private placement

25,000,000 Public Issue Shares are made available by way of private placement to identified investors; and

(iii) Public

2,500,000 Public Issue Shares are available for application by the public.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Any Public Issue Shares not subscribed for under Section 3.2 (i) above may be made available for private placement under Section 3.2 (ii) above. Any Public Issue Shares not subscribed for under Section 3.2 (ii) above may be made available for subscription by the public investors under Section 3.2 (iii) above. The 5,000,000 Public Issue Shares under Sections 3.2 (i) and (iii) above have been fully underwritten by the Underwriter based on the terms and conditions as specified in the Underwriting Agreement. The Public Issue Shares under Section 3.2 (ii) above are not underwritten as the irrevocable undertakings from all identified investors to subscribe to the Public Issue Shares and the confirmations from the Placement Agents have been obtained.

3.3 Share Capital and Rights Attaching to the Public Issue Shares

<i>Authorised</i>	RM
250,000,000 SMRT Shares	<u>25,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i>	7,000,000
70,000,000 SMRT Shares	
<i>To be issued pursuant to the Public Issue</i>	
30,000,000 SMRT Shares	3,000,000
<i>Enlarged issued and fully paid-up share capital</i>	
100,000,000 SMRT Shares	<u>10,000,000</u>

There is only one (1) class of shares in SMRT, being ordinary shares of RM0.10 each. The Public Issue Shares shall rank *pari passu* in all respects with the existing issued and paid-up ordinary shares of SMRT at the time of issue, including voting rights, and will be entitled to all rights, and dividends and distribution that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to special rights attaching to any share which may be issued by SMRT in the future, the shareholders of SMRT shall, in proportion to the amount paid-up on the SMRT Shares held by them, be entitled to share in the whole profits paid out by SMRT as dividends and other distributions and the whole of any surplus in the event of a liquidation of the Company, such surplus to be distributed among the shareholders in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Articles of Association of the Company.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

3.4 Opening and Closing of Application

Applications will be accepted from 10.00 a.m. on 22 February 2006 and will close at 5.00 p.m. on 1 March 2006 or until such later date or dates as the Directors of SMRT and the Underwriter may in their absolute discretion mutually decide. Should the closing date of the application be extended, the dates of the despatch of notices of allotment, and the listing of and quotation for the entire enlarged issued and paid-up share capital of SMRT on the MESDAQ Market will be extended accordingly. In the event the closing date is extended, applicants will be notified of such further extension by way of advertisement placed in widely circulated English and Bahasa Malaysia newspapers. Late applications will not be accepted.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below:-

Event	Tentative timetable
Opening of application	22 February 2006
Closing of application	1 March 2006
Tentative balloting date	3 March 2006
Tentative date of despatch of notices of allotment to successful applicants	10 March 2006
Tentative listing date	13 March 2006

3.5 Purpose of the Public Issue

The purposes of the Public Issue are as follows:-

- (i) to obtain the admission to the Official List and listing of and quotation for the entire enlarged issued and paid-up share capital of SMRT on the MESDAQ Market which is expected to enhance the business and future prospects of the Group;
- (ii) to enable SMRT to gain access to the Malaysian capital market to raise fresh equity funds for future expansion and growth, R&D and global marketing activities, details of which are elaborated in Section 3.7 below; and
- (iii) to provide an opportunity for the eligible Directors and employees of the SMRT Group as well as the public investors to participate in the equity and continuing growth of SMRT.

3.6 Pricing of the Public Issue

The Issue Price of RM0.33 per Public Issue Share was determined and agreed upon by the Company and Affin Merchant as Adviser and Underwriter, after taking into consideration, *inter-alia*, the following:-

- (i) The Group's financial and operating history and conditions as described in Sections 7, 13 and 14 of this Prospectus;
- (ii) The future prospects of the Group as described in Section 6 of this Prospectus;
- (iii) The earnings potential of the Group in the prevailing market conditions and the Group's competitiveness in the area of human capital development and the provision of a comprehensive range of HRM competency systems as described in Section 6 and Section 16 of this Prospectus; and
- (iv) The Group's proforma consolidated audited NTA per share after the Public Issue of RM0.15 per Share.

Investors should note that the market price of the Public Issue Shares, upon and subsequent to the listing on the MESDAQ Market is subject to the vagaries of market forces and other uncertainties, which may affect the price of the SMRT Shares being traded. Investors should bear in mind the risk factors as set out in Section 4 of this Prospectus and form their own views of the valuation of the Public Issue Shares before deciding on whether or not to invest in the Public Issue Shares.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

3.7 Utilisation of Proceeds from the Public Issue

The total gross proceeds from the Public Issue amounting to RM9,900,000 shall accrue to the Company and the Company shall bear all expenses and fees relating to the listing of and quotation for the entire issued and paid-up share capital of SMRT on the MESDAQ Market. The proceeds will be fully utilised by the Group for its core business in the following manner:-

Details of Utilisation	Amount of proceeds RM'000	Estimated time frame for utilisation	
		For the financial year ending 31 December	
		2006 RM'000	2007 RM'000
Capital investment ⁽¹⁾	4,700	4,700	-
Working capital ⁽²⁾	2,400	2,400	-
R&D ⁽³⁾	1,300	800	500
Estimated listing expenses ⁽⁴⁾	1,500	1,500	-
Total	9,900	9,400	500

Notes:-

(1) *Capital investment*

The Group will allocate RM4.7 million for capital investment utilisation of which is as follows:-

- (a) *RM2.8 million is to be utilised for the purchase of a property for the purpose of setting up an office; and*
 (b) *RM1.9 million will be utilised to renovate the existing rented premises in Cyberjaya which is utilised for the R&D centre and/or to renovate the proposed new office, and for the purchase of office equipment, computer hardware and licenses.*

(2) *Working capital*

The Group will allocate RM2.4 million to meet its working capital requirements with RM1.3 million to be allocated for advertising and promotion and the balance for computer maintenance, sales and administration costs.

(3) *R&D*

The Group intends to allocate RM1.3 million as staff cost for the R&D team for the creation of new products and for the upgrading and enhancement of existing products.

(4) *Estimated listing expenses*

The estimated listing expenses of RM1.5 million consist of the following:-

	RM'000
<i>Professional fees</i>	800
<i>Fees to the authorities</i>	70
<i>Brokerage, underwriting and placement fees</i>	195
<i>Printing and advertisement</i>	200
<i>Miscellaneous/contingencies</i>	235
Total	<u>1,500</u>

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

3.8 Brokerage, Underwriting Commission and Placement Fee

(i) Brokerage

Brokerage fee is payable by the Company in respect of 2,500,000 Public Issue Shares allocated to the public at the rate of 1.0% of the Issue Price in respect of successful applications which bear the stamps of Affin Merchant, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

(ii) Underwriting Commission

Affin Merchant, as the Underwriter, has agreed to underwrite 5,000,000 Public Issue Shares to be made available for subscription by the eligible Directors and employees of the Group and the public pursuant to the Public Issue. Underwriting commission is payable by the Company in respect of the Public Issue Shares available for application at the rate of 2.0% of the Issue Price.

(iii) Placement Fee

The Placement Agents will arrange for the placement of 25,000,000 Public Issue Shares which are reserved for the identified investors 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 them.

3.9 Salient Terms of the Underwriting Agreement

An underwriting agreement was entered into on 14 November 2005 between SMRT and Affin Merchant, the Underwriter, to underwrite 5,000,000 of the Public Issue Shares for an underwriting commission of 2.0% of the Issue Price for each Public Issue Share underwritten.

The salient terms of the Underwriting Agreement are summarised as follows:-

The Underwriter, may at any time be entitled to terminate its obligations under the Underwriting Agreement by delivering a notice in writing to the Company on the occurrence of all or any of the matters stated herein on or before the Closing Date if the success of the Public Issue is, in the reasonable opinion of the Underwriter, seriously jeopardised by:

- (i) any Government requisition or other occurrence of similar nature, which in the reasonable opinion of the Underwriter, affects or will affect the business and/or financial position of the Company; or
- (ii) any change or any development involving a prospective change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates which results in the Composite Index of Bursa Securities to fall below 750 index points and in the reasonable opinion of the Underwriter prejudice the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
- (iii) any material breach of the warranties and undertakings referred to in the Underwriting or withholding of information of a material nature from the Underwriter the occurrence or effect of which would in the reasonable opinion of the Underwriter prejudice the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealing on the secondary market); or
- (iv) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the reasonable opinion of the Underwriter has or is likely to have an adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (v) any acts of government, acts of war or acts of God which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof; or
- (vi) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the MESDAQ Market of Bursa Securities due to exceptional financial circumstances or otherwise; or
- (vii) the Company has withheld any information from the Underwriter, or any statement given or representation made to the Underwriter are inaccurate or untrue which would have or can reasonably be expected to have, a material and adverse effect on the business, operations or prospect of the Company or the success of the offering of the underwritten shares pursuant to Public Issue Shares.

On delivery of such a notice by the Underwriter to the Company and confirmation of such a notice by hand the Underwriting Agreement shall be terminated and the obligations of the Underwriter under the Underwriting Agreement shall be released and discharged from its respective obligations hereunder. In the event of any such termination under the Underwriting Agreement, the Company shall bear all the cost and expenses incurred under the Underwriting Agreement including but not limited to those stated in the Underwriting Agreement.

If any of the obligations of the Underwriter under the Underwriting Agreement shall cease under the Underwriting Agreement, no party shall have any claim against any other party hereto for compensation, costs, damages, or otherwise, save that the Company shall pay to each of the Underwriter, the costs and expenses referred to in the Underwriting Agreement which have been incurred prior to or in connection with such rescission.

The obligations of the Underwriter under the Underwriting Agreement shall be conditional upon: -

- (i) Bursa Securities having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the issued shares of the Company (and if such approval shall be conditional, all conditions thereto are acceptable to the Underwriter) and the Underwriter being reasonably satisfied that such listing and quotation will be granted not more than two (2) clear Market Days (or such other days as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and the receipt of confirmation from Bursa Depository that all securities accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
- (ii) the registration of the Prospectus with the SC in accordance with the requirements of the Securities Commission Act 1993 (as amended), together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;
- (iii) the lodgement with the ROC of the Prospectus in accordance with the requirements of the Securities Commission Act 1993 (as amended) and the Act together with copies of all documents required by the Act and the issue by the ROC of the relevant certificate of lodgement of the Prospectus or any like document, if any;
- (iv) the issuance of the Prospectus within ninety (90) days from the date hereof or such extended period as the parties hereto may mutually agree in writing;
- (v) in the reasonable opinion of the Underwriter, there not having been on or prior to the Closing Date any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of the Company from that set out in the Prospectus which is material in the context of the Public Issue or offering of the Public Issue Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations in the Underwriting Agreement hereof as though given or made on such date;

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (vi) all the necessary approvals and consents required in relation to the Public Issue including but not limited to the approvals of the SC, Bursa Securities, the shareholders of the Company and any other relevant authorities having been obtained and are in full force and effect and not having been revoked or suspended; and
- (vii) the issue, offering and subscription of the Public Issue Shares not being prohibited by any statute, rule regulation, order, directive or guideline (whether or not having the force of law) promulgated or issued by any relevant authorities.

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing on or before the Closing Date, in the event that there is a breach of any of the warranties and representations in the Underwriting Agreement or conditions stated in the Underwriting Agreement is not satisfied on or before the Closing Date or the approval in principle of Bursa Securities for the listing of and quotation for all the issued shares on the MESDAQ Market of Bursa Securities is withdrawn or not procured; and upon such termination, the liabilities of the Company and the Underwriter shall become null and void and none of the parties shall have any claim against the other party(s) for compensation, costs, expenses or otherwise save that each party shall return any moneys paid in advance to the other under the Underwriting Agreement within seventy-two (72) hours of the receipt of such notice, provided that the Company shall remain liable for the payment of the cost and expenses referred to in the Underwriting Agreement.

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4. RISK FACTORS

Investors should rely on their own evaluation to assess the merits and risks of the investments. Investors who are unsure about any of the information contained in this section on “Risk Factors” should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

Prior to making an investment in the Public Issue Shares, prospective investors should carefully consider the following risk factors (which may not be exhaustive) inherent in and affecting the business of the Group in addition to the other information contained elsewhere in this Prospectus.

4.1 Business Risks

(i) Competitive Risk

There are both local and foreign companies providing HRM solutions in Malaysia. They are diverse in terms of pricing and product features, ranging from smaller companies that provide simple off-the-rack solutions to established international solution providers who provide customised high-end HRM solutions. The ability to compete depends upon many factors both internal and external, including the timing and market acceptances of new products, enhancements by the Company and its competitors, product and service functionality, ease of use, performance, price, value for money, reliability, customer service and support, sales and marketing efforts and product and service distribution channels. A company must also be prepared to face competitors that may have greater name recognition whilst emerging companies could enter the market with new products and technologies. Increased competition could result in price reductions, reduced revenue and margins, loss of market share, any one of which could materially and adversely affect a company’s business, operating results and financial condition.

Human capital management consists of both the high value and low value products. There are tier one, tier two and tier three players in the four (4) categories of human capital management products namely competency development, performance management, administration and payroll and eLearning and outsourcing services.

Tier one players are restricted to organisations such as Peoplesoft, Oracle HR and SAP. Though they are maintenance driven, they are powerful in the application of features such as global payroll and leave management. Though there is no focus on competency development, they have a performance management module. SABA and Click 2 & Learn are eLearning systems but they are not integrated with any human capital information. Outsourcing is still a nascent area though some are attempting to do it without a proprietary tool.

Tier two players are few such as Empower HR (formerly known as Remus). Again, they focus on administration and the transactional aspects of HR. Most tier two players are maintenance oriented in nature.

Tier three players are many and they focus on the administration and payroll features. These are mainly maintenance systems.

The Group’s response to this threat has been to focus on the high value areas, integration and the development issues of human capital management. The entry barrier that a new company will face is the lack of the proprietary knowledge that SMRT has now in terms of content such as Competency Libraries for specific occupational skills groups which are essential for human capital development. Even if others tried to build the content now, it will take enormous time by which the Group would have then moved to significantly higher value added products. The SMRT Group’s focus on HRD may seem like restricting the number of target industries. In actual fact, this has been a deliberate effort by the Group to ensure its products reach the selected markets. It also allows the Group to complement the tier one and tier two players. As the Group’s software is required by a particular segment i.e. HRD division, its software complements rather than competes with tier one or tier two products.

The SMRT Group with its differentiation strategy and product niche will be able to compete effectively as unlike other large HR players who are focused on operational HR functions such as payroll, the SMRT Group focuses on competency management.

4. RISK FACTORS (Cont'd)

The Directors of SMRT believe that the Group's ability to consistently deliver high quality products and services to its customers has provided the Group with an edge to counter the competition from other competitors.

(ii) Dependence on Directors and Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors, in particular Dr. Palan, its senior management and its key personnel. The loss of the aforementioned personnel, which, without replacement of similar or higher calibre, could adversely affect the Group's financial condition, operational results and competitiveness. The SMRT Group may have to compete for the best human resources in the ICT job market with the many ICT competitors, among which are large and well-diversified multinational firms, from attracting their key technical personnel. Thus, the Group mitigates the risk of losing its highly skilled personnel or Directors through natural causes through attractive and competitive remuneration packages, continuous recruitment and succession planning.

As part of the Deed of Assignment, Dr. Palan will lead the team to continue further development of the HRDPower™ software system and any associated applications. Eventhough Dr. Palan will lead the R&D team of the SMRT Group to continue the development of the HRDPower™ software system and associated applications, there is no assurance that the transfer of knowledge and technology is sufficient. Eventhough a service agreement has been signed with Dr. Palan to mitigate the risk, a succession plan is in place to ensure Dr. Palan's know-how is transferred to the team within the Group by continuous in-house training, coaching and mentoring.

The Company has also put in place a succession plan which involves every key executive mentoring a successor. A full R&D team has been institutionalised to keep pace with technology thus minimising dependency on Dr. Palan. A pool of competency consultants have been developed through the accredited Competency Network. At this moment, there are about twenty-five (25) competency and performance consultants who were developed through the Accredited Competency Consultants for HRDPower™. This was a deliberate and planned effort to develop a pool of successors. The SMRT Group also has plans to recruit more system analysts and programmers to acquire the knowledge and to continue the development of the HRDPower™ software system.

Notwithstanding the above, there is no assurance that the SMRT Group can continue to retain the existing personnel or attract additional or replacement key personnel with the requisite knowledge and skills for the Group's continued growth and there may be impact on business of the Group in the event of the loss of Dr. Palan's service which is a powerful marketing tool for the promotion of the products and services carrying the brand name that casts a positive impact on the HR community.

(iii) Rapid Technological and Product/Service Changes

The market for business applications software is characterised by rapid technological advancements, changes in customer requirements, frequent new product introductions, enhancements and changing industry standards. The pace of change in the technological world of software is huge.

The SMRT Group's current market position could be undermined by rapid technological changes and the introduction of new products and enhancements by new and existing competitors. The Group's growth and future success will depend, in part, upon its ability to enhance its current products and services and introduce new products and services in order to keep pace with products offered by the Group's competitors, adapt to technological advancements and changing industry standards as well as to produce relevant product features to address the requirements of its customers.

4. RISK FACTORS (Cont'd)

With the decision to adopt the Microsoft platform, the Group could be facing a risk due to the emergence of Linux and open source operating systems. The SMRT Group will have to recruit new teams to develop its product in Linux environments. However, the SMRT Group foresees that this threat will only arise in five (5) to seven (7) years and the Group has sufficient time to respond to that by focusing on other platforms. At the moment, the Microsoft operating systems are in dominance in the world and the conversion of the Group's products to dotnet and the Linux platform would address this technology risk.

The HRDPower™ software system has been used successfully in various industries and is utilised to develop other related products, each to cater for different HRD modules. The successful implementation of the HRDPower™ software system reflects the technical viability of the HRDPower™ software system. However, there is no assurance that technology failure will not happen in the future.

Notwithstanding the above, the Group is confident of its ability in addressing the above risks as it has developed the technical expertise and know-how in its field through an experienced R&D team. Furthermore, a firm commitment to continued R&D investment, quality processes and stringent testing will minimise the risks to the Group from failure of technology.

(iv) Failure in the transfer of knowledge and technology

The HRDPower™ software system was acquired from SMR, a company that is substantially owned by Dr. Palan. As part of the Deed of Assignment, Dr. Palan will lead the R&D team of the Group to continue the development of the HRDPower™ software system and associated applications. A service agreement has been signed with Dr. Palan to mitigate the risk. A succession plan is also in place to ensure Dr. Palan's know-how is transferred to the team within the Group by continuous in-house training, coaching and mentoring.

Notwithstanding the above, there is no assurance that the Group's efforts in the transfer of knowledge and technology is sufficient. In the event there is the unforeseen lack of transfer of knowledge and technology, there may be a negative impact on the business of the Group. However, as a precaution, all the employees within the R&D team of the Group are already well versed in the HRDPower™ software system and the technology behind it.

(v) Market uncertainties

The Group, like other businesses operating in an open economy, is subject to market forces. There would be potential for its products to become obsolete, process technologies being cost ineffective, its market share being eroded or the industry experiencing a downturn. In order to mitigate such risks, the Group has implemented various strategies such as increasing its product range, expansion of market base and R&D to strengthen and expand its business activities. However, no assurance can be given that any change in the market forces will not have a material and adverse effect on the Group.

(vi) Demand for Products

The Group's future results will substantially depend on market acceptance of the products and services it has developed. A reduction in demand of the Group's existing or future products or an increase in competition in the market for these products will have a material adverse effect on the Group's business, results and financial condition. There is also no assurance that the Group will be able to develop and introduce new products and services or enhancements in a timely manner in response to changing market conditions or customer requirements or that the process will not encounter unforeseen problems.

To date, the Group's products and services have been well received by its customers and the management expects that enhancements and improvements of products' features, timeliness in delivery to its customers, good technical service and after sales support should ensure continuous acceptance of products.

4. RISK FACTORS (Cont'd)

Most developed countries such as the UK, USA and Singapore are introducing mandatory provisions for the monitoring and reporting of human capital development indices in their annual reports and hence the demand for the SMRT Group products is very much likely to grow. Malaysian companies are also beginning to adopt the reporting of human capital development indices as a best practice in their annual reports. In some industries such as civil aviation, oil and gas, hospitals and emergency services, the reporting of competency has become a compliance issue with respect to achieving lower insurance premiums and expediting approvals for claims.

(vii) Risks Associated with Distribution Channels

The SMRT Group presently markets its products directly through its marketing team as well as through a network of distributors and sales partners/marketing agents ("Distributors") on a regional basis. The Group's ability to achieve significant revenue growth in the future will depend to a certain extent on the ability of the Group to establish and maintain relationships with its Distributors. The Group's arrangements with its Distributors are mere alliances and not legally binding and thus may be terminated at any time by either party. The Distributors actions are not within the control of the Group. However, the management of the Group strives to maintain a good relationship with the Distributors and are constantly in contact with them to be updated on market conditions, new business opportunities and new competition in the market. The long-standing reputation of the Directors will enable the creation of distributorships on a regular basis.

(viii) Changes in the Political, Economic and Regulatory Environment

As with any other business, the Group's business is subject to the overall economic, socio-economic, political, legislative, business and/or credit condition both domestically and internationally. The profitability of the SMRT Group may be affected by a recession even though it has built a strong foundation and a sound business and revenue model. Adverse developments in economic, socio-economic, political, legislative, business and/or credit conditions in Malaysia and/or elsewhere may materially and adversely affect the business, operations, results and financial conditions of the Group. However, the Group has consistently in the last few years met its projections. Human capital management is required both during expansion or cost cutting exercise; hence the Group could easily adapt its marketing strategies to meet with the changing economic trend.

(ix) Uncertainty of the Five (5) Year Business Development Plan

The success of the Group's business development plan will be largely dependent upon market acceptance of the Group's products and services and will also be dependent upon, amongst others, the Group's ability to successfully implement its marketing strategy, establish satisfactory arrangements with business associates on a timely manner and on favourable terms, hire and retain skilled management and personnel, successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality and service), and obtain adequate financing as and when required. Due to rapid technological changes, shifts in market expectation and competitive pressures, there is no assurance that unanticipated expenses or problems or technical difficulties will not occur which may result in material delays in the implementation of the business plan or even deviations from the original business plan.

(x) Regional Operations

Although the Group's revenue from regional sales has historically been substantial, the SMRT Group intends to increase further its sales and marketing in other regional markets. There are a number of other risks inherent in regional business activities, including costs and risks of localising products for foreign countries, unexpected changes in regulatory requirements, tariffs and other trade barriers, difficulties in managing regional operations, potentially adverse tax consequences, currency fluctuations, difficulties in the repatriation of earnings, the burdens of complying with a wide variety of foreign laws and exposures to gain and losses on foreign currency transactions.

4. RISK FACTORS (Cont'd)

There can be no assurance that such factors will not have a material adverse effect on the SMRT Group's business, operating results or financial condition. However, the Group currently has relationships with marketing partners in the target regional markets such as Singapore, Indonesia, Brunei, Thailand, Philippines, UAE, Australia, UK and the USA. These marketing partners are experienced people from the industry who are well versed with the market conditions in the respective countries.

(xi) Foreign Exchange Risk

The Group's current revenue is mainly generated from the local market. However, the Group is in the process of expanding to the regional markets. As the Group is in the process of expanding further to the regional markets, the Group will be exposed to increased foreign exchange risk in the future. The revenue to be derived from foreign sales may be billed in US dollars or the relevant foreign currencies but the Group would provide the adequate hedge against currency fluctuations. However, there can be no assurance that any future significant fluctuations in exchange rates and financial crisis will not impact on the revenue and earnings of the Group.

(xii) Regulatory Risks

Presently the business activities of the Group in Malaysia are not subject to any specific legislation or regulations save for general company and contract laws. There can be no assurance that future legislative or regulatory policy changes will not affect the operations of the Group. However, owing to the role and support of the government of Malaysia in the IT industry, the Directors of SMRT do not foresee that there would be any unfavourable legislation being passed which may adversely affect the operations of the Group.

As the Group aims to penetrate more into the overseas markets, any unfavourable change in Malaysian or other countries' government policies may affect the Group's performance.

(xiii) Risk of Security and System Disruptions

HRDPower™ is run on dotnet platform and all security features presently available in the market are configured into the system. The system also uses the hierarchy method in controlling unauthorised access within the organisation, thus the risk of hacking or security violation is highly minimised. As the system will be run on separate servers for both the data and the software, any system disruption would be able to be rectified immediately by reinstallation of the software and back-up files.

4.2 Investment Risk

(i) No Prior Market for the SMRT Shares

Prior to the Public Issue, there has been no prior market for SMRT Shares. The price at which SMRT Shares will trade on the MESDAQ Market upon or subsequent to the Listing will be dependent upon market forces beyond the control of the Group. There can be no assurance that an active trading market will develop for SMRT Shares or if developed, that such market will be sustained or that SMRT Shares will trade in the public market subsequent to the Listing at attractive prices.

4. RISK FACTORS (Cont'd)

The Group believes that a variety of factors could cause the price of SMRT Shares to fluctuate, including sales of substantial amount of SMRT Shares in the public market, announcement of developments relating to the Group's businesses, fluctuation in the Group's operating results and sales level, general industry conditions or the world-wide economy, announcement of new products or product enhancements by the Group or its competitors and development of patent, copyright or other IP rights, general market conditions and other factors. In addition, the global stock markets have from time to time experienced extreme price and volume fluctuations that may adversely affect the market price of SMRT Shares. Such fluctuations may adversely affect the market price of the SMRT Shares following the Listing.

(ii) Ownership and Control by the Substantial Shareholder

Upon completion of the Public Issue, Dr. Palan will have a 26.49% direct shareholding in SMRT and a 42.01% indirect shareholding in SMRT through Special Flagship's and his wife, Kamatchi's, interest in SMRT. Therefore, he will be able to influence to an extent the outcome of certain matters requiring the vote of the Company's shareholders, unless he is required to abstain from voting by law and/or by the relevant authorities. Nevertheless, the Company has appointed two (2) independent directors as a step towards promoting good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length terms.

(iii) Termination of the Underwriting Agreement

The Underwriting Agreement is terminable by the Underwriter if the Underwriter has reasonable opinion that the success of the Public Issue is likely to be materially and adversely affected by certain events, details of which are set out in Section 3.9 under "Termination" clause of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 3.9 under "Termination" clause of this Prospectus have occurred. In the event that the Public Issue could not be completed, all monies paid in respect of all applications will be returned without interest.

4.3 Other Risks

(i) Market Positioning

The inability to continue building on the brand name and position of the Group may adversely affect both the standing and financial results of the Group. Although the SMRT Group has a strong sales and marketing task force, it will need further expenditure and commitment to maintain its growing position. A budget allocation for brand building would be critical for further global expansion. The expansion into the international market may not succeed due to inadequate resources. Investment in such ventures then may not bring in the desired returns, which will affect the financial results. However, as past results have shown, the Group's investments overseas are prudent as all marketing partnerships are commission driven and their performance would be regularly tracked. Only secured customers would justify the need for further investment for installation and implementation of the Group's product and services.

(ii) Disclosure Regarding Forward-Looking Statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts. Although the Group believes that the expectations reflected in forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct. Any deviation of its actual performance from the expectations may have adverse effects on the Group's financial and business performance.

4. RISK FACTORS (Cont'd)

(iii) Delay in or Abortion of the Listing

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the listing exercise:-

- (a) the identified investors fail to subscribe for their portion of the Public Issue Shares to be placed to them;
- (b) the Underwriter exercises its rights pursuant to the termination clause pursuant to the Underwriting Agreement, which are set out in Section 3.9 under "Termination" clause of this Prospectus and discharges itself from its obligations thereunder; or
- (c) the Company is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the total number of shares for which listing is sought be held by a minimum number of 200 public shareholders (including employees).

Although the Directors of SMRT will endeavour to ensure compliance by SMRT of the various Listing Requirements, including, *inter-alia*, the public spread requirement imposed by the Listing Requirements for the successful listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the listing.

(iv) Change or Loss of MSC Status

SMRHRT was accorded the MSC Status on 29 January 2001 by MDC. As an MSC status company, SMRHRT enjoys certain financial and non-financial incentives, which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

Amongst others, by virtue of its MSC status, SMRHRT is granted pioneer status by MITI under the Promotion of Investments Act, 1986 and enjoys full exemption from paying Malaysian federal income tax for up to ten (10) years or an investment tax allowance for up to five (5) years and no duties on the importation of multimedia equipment commencing 29 January 2001. This exemption only applies in respect of income derived from SMRHRT's MSC-qualifying activities as set out in its application documents submitted to MDC at the time when SMRHRT applied for MSC status.

It should be further highlighted that although generally a company conferred the MSC status would be expected to be able to retain its MSC status as long as it complies with the conditions as set out in the grant of MSC status by MDC, MDC has the right to withdraw or revoke SMRHRT's MSC status at any time at its discretion. Should in any unforeseen circumstance MDC decides to revoke its MSC status, SMRHRT will no longer enjoy the benefits accorded to MSC status companies, including its pioneer status, thus will then be liable to pay statutory income tax.

(v) Piracy of IP

The acquisition of the HRDPower™ software system from SMR allows the SMRT Group to have the exclusive rights to the trademark and source programs. Thus the Group is able to market the HRDPower™ software system to companies that wish to invest in competency management. The SMRT Group has taken the necessary steps to protect its trademarks in Malaysia. HRDPower™ has already obtained its Certificate of Registration of a Trademark (Regulations 56) from Perbadanan Harta Intelek Malaysia on 10th November 2003. Even though there is no assurance that the piracy of the Group's software will not occur, the filing of the relevant trademarks and copyright of the IPs would minimise the risk. Furthermore, the stringent licensing policy using high level security procedures virtually eliminates the possibility of piracy.

4. RISK FACTORS (Cont'd)

(vi) Financial Constraints

The rapid expansion and growth of the Group's business may strain its financial resources even though the Group has practiced financial and prudent management from the very inception of the Group. Growth must move in tandem with the availability of financial resources and it must be managed effectively with the business operations of the Group so as not to affect the financial results.

The need for increasing capital is always present because of the Group's rapid growth. If the Group is unable to secure financing, this will affect not only its growth, but will also affect its business strategies as well as the development and enhancement of current services. The Group may seek funding to maintain its growth position as well as expansion into the international market.