

SMR TECHNOLOGIES BERHAD
(Company No: 659523-T)
Interim Financial Reports for the 2nd quarter ended 30 June 2006

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim report is prepared in accordance with FRS134₂₀₀₄ “Interim Financial Reporting” and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The Interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

There are no changes in the accounting policies and methods of computation adopted in this quarterly report.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRS effective for the financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 117	Leases
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the FRS above does not have significant financial impact on the Group.

A2. Audit Report of the preceding Annual Financial Statements

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2005 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The Group's operations are not subject to any seasonal or cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the current quarter under review, there were no unusual items or events, which affected the assets, liabilities, equity, net income or cash flows of the Group.

A5. Change in estimates

There were no changes in estimates of amounts reported that have material effect on the results for the current quarter under review.

A6. Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter under review and financial year-to-date.

On 7 March 2006, the share capital of the company had increased to RM10,000,000 by the Public Issue of 30,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.33 per ordinary share.

A7. Valuation of Property, Plant and Equipment

There was no revaluation on property, plant and equipment of the Group during the current quarter under review.

A8. Dividend Paid

There were no dividends paid during the quarter under review.

A9. Segmental Information

Only the segmental analysis is available for revenue by product and region as the company's accounting system was not set up to analyse profitability due to the sharing of resources.

Segmental reporting of the Group's revenue by Products and Services is as follows:

Product and Services	April – June 06 RM	% over total sales
HRD Power Software	2,513,279.70	79.99
Consultancy and Implementation	493,869.80	15.72
Annual Maintenance Charges	6,090.00	0.19
Training Power	99,835.00	3.18
HRD Webvarsity	29,000.00	0.92
Total	3,142,074.50	100.00

Geographical reporting of the Group's revenue is as follows:

Country/Region	April – June 06 RM	% over total sales
Malaysia	1,514,831.90	48.21
Asia	591,042.60	18.81
Australia	-	-
USA	100,000.00	3.18
Qatar	-	-
UAE	936,200.00	29.80
Total	3,142,074.50	100.00

A10. Material Events Subsequent to 30 June 2006

There were no material events subsequent to the current financial quarter ended 30 June 2006 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A12. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets as at 30 June 2006 and up to the date of this report.

A13. Capital Commitments

SMR HR Technologies Sdn Bhd, a wholly-owned subsidiary of the Company, had on 21 June 2006 entered into a Sale & Purchase Agreement with Malaysian Resources Corporation Berhad to acquire an office suite known as 2A-23-2 Storey No. 23 Building No. 2A, Plaza Sentral Phase II for a cash consideration of RM2,082,755 ("Acquisition of Property").

The Acquisition of Property had utilised part of the proceeds from the initial public offering of RM4.7 million allocated for capital investment of which RM2.8 million is for the purchase of a property.

