

SMR TECHNOLOGIES BERHAD
(Company No: 659523-T)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30
June 2006**

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA
SECURITIES BERHAD (“BURSA SECURITIES”)**

B1. Review of Performance

For the second quarter ended 30 June 2006, the Group recorded revenue of RM3.14 million and profit before tax of RM1.52 million.

There is no comparison with the corresponding quarter results in the preceding year as this is the first second-quarterly consolidated result of the Group to be submitted to Bursa Securities.

B2. Comparison of Current Quarter Results with the Preceding Quarter

The Group recorded an increase 6.9% in its revenue to RM3.1 million in the second quarter of 2006 against RM2.9 million in the first quarter of 2006.

However, the profit before and after tax decreased by 6.6% to RM1.5 million in the second quarter of 2006 as compared to RM1.6 million in the first quarter of 2006.

The decline in the profits for the second quarter was attributable to higher cost of advertising and promotion activities.

B3. Prospects for the current financial year

Barring any unforeseen circumstances, the Board of Directors of SMR Technologies Berhad is positive of the Group's performance in the financial year ending 31 December 2006.

The current trend of strong sales growth achieved in ASEAN and the Middle Eastern countries supports our forecast of strong potential growth and demand for our products and services in these regions. With the listing proceeds, we are able to compete more effectively and deliver more efficiently our products and services globally.

B4. Variance on Profit forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

B5. Taxation

No provision for taxation was required for the financial year ended 30 June 2006 in respect of its core activities as the Group is still within the tax exemption period granted by the Ministry of International Trade and Industry and Ministry of Finance.

B6. Profit on Sale of Unquoted Investment and/or Properties

There was no disposal of unquoted investment or properties during the financial quarter under review.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review.

B8. Status of Corporate Proposals

Save as disclosed below, there was no corporate proposal announced for the second quarter of 2006.

On 28 June 2006, the Company announced that its wholly-owned subsidiary, SMR HR Technologies Sdn Bhd, 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"). As at the date of the issue of this financial quarterly report, the Acquisition of Property has yet to be completed.

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 30 June 2006 are as follows:

	RM
Short term borrowings - Secured	
Bank Overdraft	-
Bankers' acceptance	-
Hire Purchase	5,574
Long term borrowings - Secured	
Hire purchase	<u>55,666</u>
Total Borrowings	<u><u>61,240</u></u>

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material Litigations

The Company is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Company as at the date of this quarterly financial report.

B12. Earnings Per Share

(a) Basic earnings per share

The earnings per share for the current year to date is calculated by dividing the net profit attributable to shareholders of RM3,148,737 by the weighted average number of shares in issue of 88,565,044 of RM0.10 per ordinary share.

	Current quarter 30/06/2006	Current year to-date 30/06/2006
Net profit (RM)	1,520,484	3,148,737
Weighted Average No of Ordinary shares of RM0.10 par each	88,565,044	88,565,044
Basic Earnings per Ordinary Shares (sen)	1.72	3.57

(b) Fully diluted earnings per share

The Group does not have any convertible securities and accordingly a fully diluted earnings per share is not applicable.

B13. Status of Utilisation of Proceeds

Details of Utilisation	Amount Utilised as at 30-06-06 RM'000	Amount Raised RM'000	Estimated time frame for utilisation	
			For the financial year ending 31 December	
			2006 RM'000	2007 RM'000
Capital investment ⁽¹⁾	209	4,700	4,700	-
Working capital ⁽²⁾	278	2,400	2,400	-
Research & Development ("R&D") ⁽³⁾	-	1,300	800	500
Listing expenses ⁽⁴⁾	1,499	1,500	1,500	-
Total	1,986	9,900	9,400	500

(1) *Capital investment*

A sum of RM4.7 million was allocated 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*

A sum of RM2.4 million was allocated to meet the Group's working capital requirements with RM1.3 million allocated for advertising and promotion and the balance for computer maintenance, sales and administration costs.

(3) *R&D*

A sum of RM1.3 million was allocated as staff cost for the R&D team for the creation of new products and for the upgrading and enhancement of existing products.

(4) *Listing expenses*

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

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