

**SMR TECHNOLOGIES BERHAD****(Company No: 659523-T)****Interim Financial Reports for the 3rd quarter ended 30 September 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 FRS134<sub>2004</sub> “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**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter under review.

**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:

<b>Product and Services</b>	<b>July - Sept 06 RM</b>	<b>% over total sales</b>
HRD Power Software	2,835,100.00	86.65
Consultancy and Implementation	131,114.86	4.01
Annual Maintenance Charges	86,912.50	2.66
Training Power	187,191.00	5.72
HRD Webvarity	31,500.00	0.96
<b>Total</b>	<b>3,271,818.36</b>	<b>100.00</b>

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

<b>Country/Region</b>	<b>July - Sept 06 RM</b>	<b>% over total sales</b>
Malaysia	714,826.36	21.85
Asia	642,950.00	19.65
Australia	-	-
USA	600,000.00	18.34
Qatar	-	-
UAE	936,100.00	28.61
Bahrain	377,942.00	11.55
<b>Total</b>	<b>3,271,818.36</b>	<b>100.00</b>

#### **A10. Material Events Subsequent to 30 September 2006**

There were no material events subsequent to the current financial quarter ended 30 September 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 September 2006 and up to the date of this report.

**A13. Capital Commitments**

There were no material capital commitments as at 30 September 2006 and up to the date of this report.