

**QUARTERLY REPORT ON CONSOLIDATED FINANCIAL STATEMENT FOR THE SECOND QUARTER  
 ENDED 30 JUNE 2017**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 (THE FIGURES HAVE NOT BEEN AUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	3 MONTHS PERIOD ENDED		6 MONTHS PERIOD ENDED		
	Note	30 JUNE 2017	30 JUNE 2016	30 JUNE 2017	30 JUNE 2016
	RM	RM	Unaudited RM	Unaudited RM	
Revenue		23,780,754	19,366,795	43,042,402	39,211,168
Cost of sales		(16,112,115)	(11,034,482)	(27,970,181)	(22,841,190)
Gross Profit		7,668,639	8,332,313	15,072,221	16,369,978
Other operating income		95,752	429,398	458,383	1,711,067
Administrative expenses		(9,555,553)	(11,062,686)	(19,522,054)	(21,067,117)
(Loss) / Profit from operations		(1,791,162)	(2,300,975)	(3,991,450)	(2,986,072)
Share of results of associate		(1,123,231)	(1,086,493)	(3,733,370)	(1,787,680)
Loss before interest and taxation		(2,914,393)	(3,387,468)	(7,724,820)	(4,773,752)
Finance costs		(665,214)	(839,253)	(1,434,396)	(1,726,552)
Loss before taxation		(3,579,607)	(4,226,721)	(9,159,216)	(6,500,304)
Taxation		2,498	(565,846)	(285,734)	(1,308,303)
Loss for the period		(3,577,109)	(4,792,567)	(9,444,950)	(7,808,607)
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(3,679,662)	(4,861,208)	(9,528,260)	(7,981,207)
Non-controlling interests		102,553	68,641	83,310	172,600
		(3,577,109)	(4,792,567)	(9,444,950)	(7,808,607)

**(Loss)/Earnings per share attributable to  
 Owner of the Company**

- Basic (sen)	B9	(1.17)	(1.75)	(3.12)	(2.87)
- Diluted (sen)	B9	(1.17)	(1.75)	(3.12)	(2.87)

## Note:

The unaudited condensed consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the interim financial report and the audited financial statements of the Group for the financial year ended 31 December 2016.

QUARTERLY REPORT ON CONSOLIDATED FINANCIAL STATEMENT FOR THE SECOND QUARTER  
ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
(THE FIGURES HAVE NOT BEEN AUDITED)

Note	INDIVIDUAL QUARTER 3 MONTHS PERIOD ENDED		CUMULATIVE QUARTER 6 MONTHS PERIOD ENDED	
	30 JUNE 2017	30 JUNE 2016	30 JUNE 2017	30 JUNE 2016
	RM	RM	Unaudited RM	Unaudited RM
(Loss)/Profit for the period	(3,577,109)	(4,792,567)	(9,444,950)	(7,808,607)
<b>OTHER COMPREHENSIVE INCOME</b>				
Exchange difference arising on translation of foreign operations	(984)	16,406	(7,192)	(50,255)
Amortisation of revaluation reserve	(11,174)	(11,401)	(22,348)	(22,803)
Other comprehensive (loss)/income, net of tax	(12,158)	5,005	(29,540)	(73,058)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(3,589,267)</b>	<b>(4,787,562)</b>	<b>(9,474,490)</b>	<b>(7,881,665)</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(3,691,820)	(4,856,203)	(9,557,800)	(8,054,265)
Non-controlling interests	102,553	68,641	83,310	172,600
	<b>(3,589,267)</b>	<b>(4,787,562)</b>	<b>(9,474,490)</b>	<b>(7,881,665)</b>

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**QUARTERLY REPORT ON CONSOLIDATED FINANCIAL STATEMENT FOR THE SECOND QUARTER  
 ENDED 30 JUNE 2017**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Unaudited</i> <b>30 JUNE 2017</b>	<i>Audited</i> <b>31 DECEMBER 2016</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant & equipment	7,018,219	7,409,963
Investment in associate	12,750,312	16,483,682
Goodwill on consolidation	16,723,830	16,723,830
Intangible assets	9,856,378	10,116,478
	<u>46,348,739</u>	<u>50,733,953</u>
<b>CURRENT ASSETS</b>		
Inventories	408,587	-
Trade and other receivables	41,164,944	37,539,325
Amounts due from associate	-	-
Deferred tax assets	315,499	315,255
Tax recoverable	2,120,243	2,514,291
Deposits placed with licensed banks	1,195,975	750,735
Cash and bank balances	2,865,479	5,163,727
	<u>48,070,727</u>	<u>46,283,333</u>
<b>TOTAL ASSETS</b>	<b><u>94,419,466</u></b>	<b><u>97,017,286</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	33,659,288	29,735,313
Share premium	34,509,031	34,509,031
Treasury shares	(122,448)	(2,432,951)
Share based payment reserve	3,208,017	2,279,687
Revaluation reserve	2,212,395	2,234,743
Foreign currency translation reserve	1,476,846	1,484,038
Statutory reserve	203,809	203,809
Accumulated losses	(43,937,785)	(34,431,873)
	<u>31,209,153</u>	<u>33,581,797</u>
Non-controlling interests	2,674,892	2,591,582
<b>TOTAL EQUITY</b>	<b><u>33,884,045</u></b>	<b><u>36,173,379</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Loans and borrowings	19,074,213	26,447,997
Deferred tax liabilities	2,513,372	2,575,185
	<u>21,587,585</u>	<u>29,023,182</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	22,274,619	16,243,044
Loans and borrowings	14,739,629	13,403,277
Tax payables	(701,978)	8,424
Overdrafts - secured	2,635,566	2,165,980
	<u>38,947,836</u>	<u>31,820,725</u>
<b>TOTAL LIABILITIES</b>	<b><u>60,535,421</u></b>	<b><u>60,843,907</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>94,419,466</u></b>	<b><u>97,017,286</u></b>
Number of ordinary shares (unit)	316,602,654	297,353,127
Net assets per share attributable to owners of the Company (sen)	9.9	11.3

Note:

The unaudited condensed consolidated Statement of Financial Position should be read in conjunction with the notes to the interim financial report and the audited financial statements of the Group for the financial year ended 31 December 2016.

QUARTERLY REPORT ON CONSOLIDATED FINANCIAL STATEMENT FOR THE SECOND QUARTER  
ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(THE FIGURES HAVE NOT BEEN AUDITED)

	Non-Distributable							Retained Profits	Sub-total	Non Controlling Interests	Total Equity
	Share Capital	Treasury Shares	Share Premium	Share Based Payment Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	Statutory Reserve				
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Current year ended</b>											
<b>30 JUNE 2017</b>											
As at 1 January 2017	29,735,313	(2,432,951)	34,509,031	2,279,687	1,484,038	2,234,743	203,809	(34,431,873)	33,581,797	2,591,582	36,173,379
(Loss)/Profit for the period	-	-	-	-	-	-	-	(9,528,260)	(9,528,260)	83,310	(9,444,950)
Other Comprehensive income											
for the period	-	-	-	-	(7,192)	(22,348)	-	22,348	(7,192)	-	(7,192)
Total comprehensive (loss)/income	-	-	-	-	(7,192)	(22,348)	-	(9,505,912)	(9,535,452)	83,310	(9,452,142)
for the period											
Issuance of shares pursuant to :-											
- Private Placement	-	-	-	-	-	-	-	-	-	-	-
- ESOS exercised	3,923,975	-	-	-	-	-	-	-	3,923,975	-	3,923,975
- Warrants Converted	-	-	-	-	-	-	-	-	-	-	-
Amortisation of revaluation reserve	-	-	-	-	-	-	-	-	-	-	-
Amount recognised directly	-	-	-	-	-	-	-	-	-	-	-
in equity relating to assets	-	-	-	-	-	-	-	-	-	-	-
classified as held for sale	-	-	-	-	-	-	-	-	-	-	-
Acquisition of Subsidiary	-	-	-	-	-	-	-	-	-	-	-
Disposal of shares	-	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	2,311,328	-	-	-	-	-	-	2,311,328	-	2,311,328
Revaluation of properties, plant & equipment	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	928,330	-	-	-	-	928,330	-	928,330
Transfer of ESOS reserve upon exercised of ESOS	-	-	-	-	-	-	-	-	-	-	-
Forfeiture of ESOS	-	-	-	-	-	-	-	-	-	-	-
Exercised of Warrants	-	-	-	-	-	-	-	-	-	-	-
Repurchased of shares	-	(825)	-	-	-	-	-	-	(825)	-	(825)
Interim dividend payable	-	-	-	-	-	-	-	-	-	-	-
Reversal of learning resources	-	-	-	-	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2017	33,659,288	(122,448)	34,509,031	3,208,017	1,476,846	2,212,395	203,809	(43,937,785)	31,209,153	2,674,892	33,884,045
	-	-	-	-	-	-	-	-	-	-	-
<b>Corresponding year ended</b>											
<b>30 JUNE 2016</b>											
As at 1 January 2016	26,029,469	(2,431,051)	30,546,805	-	1,568,771	2,280,350	203,809	2,528,566	60,726,719	127,689	60,854,408
Profit for the period	-	-	-	-	-	-	-	(7,981,207)	(7,981,207)	172,600	(7,808,607)
Other comprehensive income											
for the period	-	-	-	-	(50,255)	(22,803)	-	22,803	(50,255)	-	(50,255)
Total comprehensive income	-	-	-	-	(50,255)	(22,803)	-	(7,958,404)	(8,031,462)	172,600	(7,858,862)
for the period											
Issuance of shares pursuant to:-											
- Private placement	2,521,010	-	3,478,990	-	-	-	-	-	6,000,000	-	6,000,000
- ESOS exercised	-	-	-	-	-	-	-	-	-	-	-
- Warrants converted	-	-	-	-	-	-	-	-	-	-	-
Amortisation of revaluation reserve	-	-	-	-	-	-	-	-	-	-	-
Amount recognised directly	-	-	-	-	-	-	-	-	-	-	-
in equity relating to assets	-	-	-	-	-	-	-	-	-	-	-
classified as held for sale	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	1,329,413	1,329,413
Revaluation of Office suite	-	-	-	-	-	-	-	-	-	-	-
Forfeiture of ESOS	-	-	-	-	-	-	-	-	-	-	-
Repurchased of shares	-	(1,000)	-	-	-	-	-	-	(1,000)	-	(1,000)
Interim Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-
Exercised of ESOS	-	-	-	-	-	-	-	-	-	-	-
Forfeiture of ESOS	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	28,550,479	(2,432,051)	34,025,795	-	1,518,516	2,257,547	203,809	(5,429,838)	58,694,257	1,629,702	60,323,959
	-	-	-	-	16,406	(11,401)	-	(3,917,591)	(3,912,586)	177,199	(3,735,387)

Note:

**QUARTERLY REPORT ON CONSOLIDATED FINANCIAL STATEMENT FOR THE SECOND QUARTER  
ENDED 30 JUNE 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
(THE FIGURES HAVE NOT BEEN AUDITED)**

	<b>CURRENT PERIOD ENDED 30 JUNE 2017</b>	<b>CORRESPONDING PERIOD ENDED 30 JUNE 2016</b>
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	(9,159,216)	(6,500,304)
Adjustments for:		
Depreciation	844,706	910,491
Amortisation of intangible assets	260,100	262,647
Interest income	(38,685)	(3,882)
Interest expense	1,434,396	1,726,552
Share of result of associate	3,733,370	1,787,680
Loss/(gain) on disposal of property, plant and equipment	3,443	(743,248)
Loss/(gain) on disposal of treasury shares	1,053,137	
Share-based payments reserved in relating to ESOS	928,330	-
Property, plant and equipment written off	-	1,694
Provision for doubtful debts	62,883	1,673,184
Unrealised foreign exchange (gain)/loss	6,978	10,410
Operating profit before working capital changes	<u>(870,558)</u>	<u>(874,776)</u>
Changes in working capital		
Receivables	(3,694,926)	2,658,782
Payables	5,872,610	3,673,757
Inventories	(408,587)	24,206
Cash (used in)/generated from operations	<u>898,539</u>	<u>5,481,969</u>
Tax paid	(668,990)	(3,965,118)
Tax refunded	164,050	39,250
Interest expense	(170,012)	(65,023)
Interest received	38,685	3,882
<b>Net cash generated from/(used in) operating activities</b>	<b><u>262,272</u></b>	<b><u>1,494,960</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(459,594)	(997,509)
Deposit held as security	(445,240)	(319,162)
Net cash inflow on investment in subsidiary	-	(3,796,792)
Proceeds from disposal of property, plant & equipment	4,057	-
<b>Net cash generated from/(used in) investing activities</b>	<b><u>(900,777)</u></b>	<b><u>(5,113,463)</u></b>

	<b>CURRENT PERIOD ENDED 30 JUNE 2017</b>	<b>CORRESPONDING PERIOD ENDED 30 JUNE 2016</b>
	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from disposal of assets	-	966,332
Proceeds on issuance of shares	3,923,976	6,000,000
Proceeds from disposal of treasury shares	1,258,191	-
Purchase of treasury shares	(825)	(1,000)
Repayment of hire purchase payables	(89,631)	(119,846)
Repayment of term loan	(5,947,800)	(4,674,000)
Interest paid	(1,264,383)	(1,661,529)
<b>Net cash generated from/(used in) financing activities</b>	<b>(2,120,472)</b>	<b>509,957</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,758,977)</b>	<b>(3,108,546)</b>
Effect of foreign exchange rate change	(8,857)	(42,946)
Opening balance of cash and cash equivalents	2,997,747	9,467,679
<b>Closing balance of cash and cash equivalents</b>	<b>229,913</b>	<b>6,316,187</b>
<b>Cash and cash equivalents</b>		
Fixed deposits with licensed bank	1,195,975	4,134,519
Cash and bank balances	2,865,479	8,558,625
Overdraft	(2,635,566)	(2,242,438)
	1,425,888	10,450,706
Less: Deposits held as security	(1,195,975)	(4,134,519)
<b>Closing balance of cash and cash equivalents</b>	<b>229,913</b>	<b>6,316,187</b>

Note:

The unaudited condensed consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the interim financial report and the audited financial statements of the Group for the financial year ended 31 December 2016.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1 Basis of Preparation**

- a) These interim financial statements of SMRT Holdings Berhad ("SMRT" or the "Company") and its subsidiaries (the "Group") are unaudited and have been prepared in accordance with MFRS 134 - Interim Financial Reporting issued by the Malaysian Financial Standards Board ("MASB") and Appendix 9B of the Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements ("AMLR").

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended ("FYE") 31 December 2016. These explanatory notes attached to the interim financial statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the FYE 31 December 2016.

b) **Significant Accounting Policies**

The significant accounting policies and presentations adopted by the Group in this quarterly report are consistent with those of the annual financial statements for the FYE 31 December 2016 except for the Group has adopted the Malaysian Financial Reporting Standards (MFRS) framework issued by Malaysian Accounting Standards Boards (MASB) which are effective for annual periods beginning on or after 1 January 2017 as disclosed below: -

Amendments to MFRS 12  
Amendments to MFRS 107  
Amendments to MFRS 112

Disclosure of Interests in Other Entities  
Disclosure Initiative in Statement of Cash Flow  
Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments / improvements to MFRSs and new IC Int do not have any significant effect on the financial statements of the Group and Company.

**A2 Audit Report of the preceding Annual Financial Statements**

The audit report for the annual financial statements of the Group for the FYE 31 December 2016 was not subject to any qualification.

**A3 Seasonal or Cyclical Factors**

The Group's operations were not materially affected by seasonal or cyclical changes.

**A4 Changes in Estimates**

There were no estimates report provided for the last financial quarter under review.

**A5 Debt and Equity Securities**

There were no issuance, cancellation or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares, repurchase and resale of treasury shares for the current financial quarter under review except for the following :-

- a) On 11 April 2017, the Company had placed out 16,681,027 new ordinary shares, representing approximately 5% of the issued shares of the Company at an issue price of RM0.21 each pursuant to the Private Placement.
- b) During the current financial quarter under review, the Company issued additional 2,068,500 new ordinary shares at exercise price of RM0.16 each pursuant to the Employee Shares Option Scheme ("ESOS").
- c) During the current financial quarter under review, the company had converted of warrants 500,000 into ordinary shares at an conversion price of RM0.18.

The details movement of the issued and paid up capital and share premium reserved for the Company for the current quarter under review are as follows:-

	<b>No. of shares Issued and fully paid up</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
	<b>'000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
As at 1 April 2017	297,353	29,735	34,509	64,244
Issuance of shares via Private Placement	16,681	1,668	1,852	3,520
Issuance of shares via ESOS	2,069	331	-	331
Transfer of ESOS reserved upon exercised of ESOS	-	-	-	-
Conversion of Warrants into Ordinary Shares	500	-	-	-
As at 30 June 2017	<b>316,603</b>	<b>31,734</b>	<b>36,361</b>	<b>68,095</b>

**A6 Valuation of Property, Plant and Equipment**

The value of office suite has been brought forward, without amendments from the last year's annual audited financial statements.

**A7 Dividend Paid**

No dividend was paid during the current quarter under review.

**A8 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items or events, which affected the assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.



## A9 Segmental Information

### (a) Analysis of segmental revenue and results

	Education RM'000	Training RM'000	Technology RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>3 Months Ended 30 June 2017</b>						
<b>Revenue</b>						
External customers	15,700	107	7,598	375	-	23,780
Inter-company sales	-	6	(549)	-	543	-
Dividend income	-	-	-	-	-	-
	<u>15,700</u>	<u>113</u>	<u>7,049</u>	<u>375</u>	<u>543</u>	<u>23,780</u>

#### Results:

*Included in the measure of segment (loss) / profit*

Interest income	1	-	-	1	-	2
Interest expenses	(126)	(12)	(44)	(483)	-	(665)
Depreciation	(286)	(23)	(118)	-	-	(427)
Amortisation	(130)	-	-	-	-	(130)
Other non cash expenses	(1)	(3)	(1)	(464)	-	(469)
Share of results of associate	(1,123)	-	-	-	-	(1,123)
Profit/(Loss) before tax	<u>(939)</u>	<u>(714)</u>	<u>(17)</u>	<u>(1,909)</u>	<u>-</u>	<u>(3,579)</u>
Income tax expense	9	-	(7)	-	-	2
Segment profit/(loss)	<u>(930)</u>	<u>(714)</u>	<u>(24)</u>	<u>(1,909)</u>	<u>-</u>	<u>(3,577)</u>

### 6 Months Ended 30 June 2017

#### Revenue

External customers	31,672	514	10,106	750	-	43,042
Inter-company sales	-	34	3,786	-	(3,820)	-
Dividend income	-	-	-	-	-	-
	<u>31,672</u>	<u>548</u>	<u>13,892</u>	<u>750</u>	<u>(3,820)</u>	<u>43,042</u>

#### Results:

*Included in the measure of segment (loss) / profit*

Interest income	2	23	13	1	-	39
Interest expenses	(270)	(23)	(89)	(1,052)	-	(1,434)
Depreciation	(573)	(49)	(214)	-	-	(836)
Amortisation	(260)	-	-	-	-	(260)
Other non cash expenses	(68)	(96)	(77)	(1,811)	-	(2,052)
Share of results of associate	(3,733)	-	-	-	-	(3,733)
Profit before tax	<u>(2,465)</u>	<u>(968)</u>	<u>(167)</u>	<u>(5,559)</u>	<u>-</u>	<u>(9,159)</u>
Income tax expense	(281)	-	(5)	-	-	(286)
Segment profit/(loss)	<u>(2,746)</u>	<u>(968)</u>	<u>(172)</u>	<u>(5,559)</u>	<u>-</u>	<u>(9,445)</u>

(b) Analysis by geographical areas

	3 months ended 30 June 2017			
	Malaysia RM'000	Overseas RM'000	Elimi- nations RM'000	Conso- lidated RM'000
Revenue				
External sales	23,780	-	-	23,780
Inter-segment	(543)	-	543	-
Total	23,237	-	543	23,780

	6 months ended 30 June 2017			
	Malaysia RM'000	Overseas RM'000	Elimi- nations RM'000	Total Operations RM'000
Revenue				
External sales	43,038	4	-	43,042
Inter-segment	3,820	-	(3,820)	-
Total	46,858	4	(3,820)	43,042

<b>Segment assets</b>	260,506	3,246	(169,333)	94,419
<b>Segment liabilities</b>	220,555	140	(160,160)	60,535
<b>Depreciation &amp; amortisation</b>	1,094	2	-	1,096

**A10 Material Events Subsequent to the End of the Current Quarter**

- a) On 10 July 2017, the Company announced that N'osairis Technology Solutions Sdn. Bhd., a 64% owned subsidiary of the Company has subscribed for 540,000 common shares of P1.00 per share in N'OSAIRIS PHILIPPINES CORPORATION ("N'OSAIRIS PHILIPPINES") ["the Subscription"]. Upon the completion of the Subscription, N'OSAIRIS PHILIPPINES will be an associate company of N'osairis Technology Solutions Sdn. Bhd., which in turn is a 64% owned subsidiary of the Company.
- b) Further to the announcements dated 5 December 2016, 6 December 2016, 21 April 2017 and 20 June 2017 in relation to the Proposed Disposal, Proposed Placement and Proposed Exemption (collectively referred to as "Proposals"), TA Securities had on 8 August 2017 announced on behalf of the Company, that the Company together with its wholly-owned subsidiary, SMR Education Sdn. Bhd. ("SMRE") and Asiamet Education Group Berhad ("AEGB"), by way of an exchange of letter dated 8 August 2017, further extended the Cut-Off Date of the SSA from 30 August 2017 to 30 November 2017.

**A11 Changes in the Composition of the Group**

On 22 June 2017, the Company had announced that N'osairis Technology Solutions Sdn. Bhd., a wholly-owned subsidiary of the Company has completed the setting up of a 90% owned subsidiary in Indonesia namely, PT. NOSAIRIS TEKNOLOGI SOLUTIONS ("PT. NOSAIRIS")

**A12 Contingent Liabilities or Contingent Assets**

As at 30.06.2017  
RM'000

Corporate Guarantees issued to financial institutions in respect of banking facilities granted to subsidiary companies

5,842

Save for the above, there were no changes in the contingent liabilities and contingent assets of the Group, since the last audited accounts as at 31 December 2016.

**A13 Capital Commitments**

There were no capital commitments during the current quarter under review.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE AMLR**

**B1 Review of Performance**

**Financial review for current quarter and financial year to date**

	Individual Period			Cumulative Period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (Amount/%)	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (Amount/%)
	30.06.2017 RM'000	30.06.2016 RM'000		30.06.2017 RM'000	30.06.2016 RM'000	
Revenue	23,781	19,367	23%	43,042	39,211	10%
Operating Profit	(1,791)	(2,301)	22%	(3,991)	(2,986)	-34%
Loss Before Interest and Tax	(2,914)	(3,387)	14%	(7,725)	(4,774)	-62%
Loss Before Tax	(3,580)	(4,227)	15%	(9,159)	(6,500)	-41%
Loss After Tax	(3,577)	(4,793)	25%	(9,445)	(7,809)	-21%
Loss Attributable to Ordinary Equity Holders of the Parent	(3,680)	(4,861)	24%	(9,528)	(7,981)	-19%

**Current quarter compared to preceding year's corresponding quarter**

The Group recorded an increased in revenue of 23% to RM23.78 million for the current quarter under review as compared to the preceding year's corresponding quarter (Q2' 2016) of RM19.37 million ("corresponding quarter") mainly contributed by Technology segment especially in IoT industry.

The Group registered a loss before taxation ("LBT") for the current quarter of RM3.58 million as compared to RM4.23 million in the corresponding quarter. This is mainly due to improvement in revenue of 23% and cost saving from operating expenses.

**Current financial year-to-date results compared to preceding year's corresponding financial year-to-date results**

The Group recorded an increased in revenue of 10% to RM43.04 million for the cumulative quarter 2017 as compared to the previous year's corresponding cumulative quarter 2016 of RM39.21 million. The increased in revenue generated was mainly contributed by Technology segment.

The Group recorded a LBT of RM9.16 million as compared to RM6.50 million in the corresponding cumulative quarter 2016. This is largely attributable to the higher share of losses from an associate, Asiamet Education Group Bhd ("AEGB") of RM3.733 million in the current quarter. In addition, the Company incurred a loss in disposal of Treasury shares of RM1.1 million and share-based expenses of RM0.9 million arising from the exercise of ESOS during the current quarter.

**B2 Material Change in Profit Before Tax for the Current Quarter as Compared with the Immediate Preceding Quarter**

**Financial review for current quarter compared with immediate preceding quarter**

	Current Year Quarter	Immediate Preceding Quarter	Changes (Amount/%)
	30.06.2017 RM'000	31.03.2016 RM'000	
Revenue	23,781	19,262	23%
Operating Profit	(1,791)	(2,200)	19%
Loss Before Interest and Tax	(2,914)	(4,810)	39%
Loss Before Tax	(3,580)	(5,580)	36%
Loss After Tax	(3,577)	(5,868)	39%
Loss Attributable to Ordinary Equity Holders of the Parent	(3,680)	(5,849)	37%

The Group's recorded a decrease in loss before tax to RM3.58 million in the current quarter as compared to RM5.58 million in the immediate preceding quarter (Q1'2017) ("preceding quarter"). This is mainly due to improvement in revenue, cost saving from operating expenses as well as lower share of losses from an associate.

**B3 Prospects for the Current Financial Year**

The Group's outlook for the year remains positive despite the softening of the business conditions and competitive landscape. Despite the challenging environment, the Group's strategy remains unchanged and the Group continues to focus human resource development and technology.

In addition, the proposed injection of CUCMS Education Sdn Bhd ("CUCMS") into AEGB entails the merging of the education business under 1 entity thereby securing control of the entire education spectrum from AMET International School, Asia Metropolitan Colleges to CUCMS and Asia Metropolitan University. This would enable the enlarged AEGB Group to scale up and achieve operating cost efficiencies in the areas of facilities, sales & marketing and support services. This exercise is subject to the relevant approvals to be obtained.

The Education segment under AEGB will be led by a separate management team, thereby enabling SMRT to focus on growing its Training and Technology businesses.

The fast-expanding and evolving landscapes of the future involve human skills development and technology. Increasing interconnectivity in a globalised world, and the ability of people to adapt to rapid disruptions are crucial areas which businesses will need to focus upon. The opportunities are large particularly in emerging markets as the nature of globalisation changes, and technology reshapes the world. With Malaysia's Economic Transformation Programme ("ETP") focusing on developing a high income nation and substantial investments in Education and Workforce development, the Group is confident of the demand for its solutions in the learning space. The Group is poised to capitalise on these vast opportunities in the human resource development and technology arenas, with a geographical focus on the rapid growth region of South East Asia.

**B4 Variance of Actual Profit from Profit Forecast and Profit Guarantee**

The Group has not announced or provided any profit forecast or profit guarantee for the current quarter under review.

**B5 Income Tax Expenses**

	Current Quarter 30.06.2017 RM'000	Cumulative Quarter 30.06.2017 RM'000
Income tax		
Current	29	356
(Over)/Under provision of tax in prior year	-	(8)
Deferred tax liabilities	(31)	(62)
	<u>(2)</u>	<u>286</u>

Income tax expenses were mainly from the provision of income tax expenses in education segments.

Management Made Easy Sdn Bhd, a wholly-owned subsidiary, was awarded Multimedia Super Corridor Status ("MSC Status") on 15 July 2013. The Pioneer Status granted to the subsidiary grants a 100% tax exemption on its chargeable income for a period of five years which expires on 15 June 2018.

**B6 Status of Corporate Proposals**

Save for disclosed below, there were no other corporate proposals announced but not yet completed as at the date of this quarterly announcement.

On 5 December 2016, the Company announced the following proposals :-

- (i) Disposal to AEGB by the Company and SMRE, of the entire issued and paid up share capital of CUCMS for a total disposal consideration of RM166 million to be satisfied via the issuance of approximately 248,897,163 new ordinary shares of RM0.20 each in AEGB to the Company and 581,102,837 new AEGB shares to SMRE at an issue price of RM0.20 ("Proposed Disposal);
- (ii) Placement of up to 210,000,000 consideration shares at an issue price of RM0.20 by SMRE to third party investors to be identified later prior to the listing of and quotation for the consideration shares on the Main Market of Bursa Malaysia Securities Berhad; and
- (iii) Exemption under Paragraph 4.08(1)(A) of the rules on take-overs, mergers and compulsory acquisitions to SMRE from the obligation to undertake a mandatory take-over offer to acquire all the remaining AEGB shares not already owned by SMRE and parties acting in concert with it, namely the Company, Strategic Ambience Sdn Bhd, Arenga Pinnata Sdn Bhd, Creador II, LLC and Creador II, LP upon completion of the Proposed Disposal.

The above proposals are currently pending approvals from the relevant authorities.

**B7 Group Borrowings and Debt Securities**

	As at 2nd quarter ended	
	30.06.2017 RM'000	30.06.2016 RM'000
<u>Secured short -term</u>		
Overdraft	2,636	2,242
Hire purchase payables	202	213
Term Loan	14,538	10,646
<u>Secured long -term</u>		
Hire purchase payables	132	326
Term Loan	18,942	33,456
Total borrowings	<u>36,450</u>	<u>46,883</u>

All borrowings are denominated in Ringgit Malaysia.

**B8 Material Litigation**

The Company and its subsidiary companies are 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 these companies as at the date of this quarterly report.

**B9 Loss / Earning Per Share ("LPS / EPS")**

The basic LPS/ EPS is calculated based on the Group's profit attributable to ordinary equity holders of the parent for the current quarter and cumulative year-to-date, and divided by the weighted average number of shares in issue for the current quarter and cumulative year-to-date as follows :-

**(a) Basic EPS**

	Current Quarter Ended		Cumulative Year To Date	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(3,680)	(4,861)	(9,528)	(7,981)
Weighted average number of ordinary shares in issue ('000)				
As at 1 January 2017 / 1 April 2017	297,353	277,745	297,353	260,295
Add: Effect of issuance of shares	16,614	-	8,353	17,453
Add: Effect of conversion of warrants	291	-	73	-
Less: Effect of treasury shares held	-	-	(3)	(3)
As at 30 June 2017	314,258	277,745	305,775	277,745
Basic (loss)/profit per ordinary shares (sen)	(1.17)	(1.75)	(3.12)	(2.87)

**(b) Fully diluted earnings per share**

Diluted earnings per share amounts are calculated by dividing the Group's profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Current Quarter Ended		Cumulative Year To Date	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(3,680)	(4,861)	(9,528)	(7,981)
Weighted average no. of ordinary shares in issue ('000)	314,258	277,745	305,775	277,745
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	314,258	277,745	305,775	277,745
Diluted (loss)/earnings per shares (sen)	(1.17)	(1.75)	(3.12)	(2.87)

\* The average market price is lower than the exercise price. Thus, there is no effect of dilution for ESOS and warrants for the current quarter.

**B10 Proposed Dividend**

There is no proposed dividend declared for the current quarter under review.

**B11 Disclosure of Realised and Unrealised Profits/(Losses)**

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.07 and 2.23 of Bursa Malaysia Ace Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 30 June 2017 are as follows:-

	<b>As at 30.06.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
<b>Total accumulated losses of the Company and its subsidiaries:</b>		Audited
- Realised	(54,504)	(17,978)
- Unrealised	(5,973)	(2,629)
	<u>(60,477)</u>	<u>(20,607)</u>
<b>Total share of losses from associate company:</b>		
- Realised	(23,563)	(22,813)
- Unrealised	-	-
	<u>(23,563)</u>	<u>(22,813)</u>
<b>Less: Consolidated adjustments</b>	40,102	8,988
<b>Total accumulated losses as per consolidated accounts</b>	<u>(43,938)</u>	<u>(34,432)</u>

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**B12 Operating Profit**

	<b>3 months ended</b>		<b>Year-to-date</b>	
	<b>30.06.2017 RM'000</b>	<b>30.06.2016 RM'000</b>	<b>30.06.2017 RM'000</b>	<b>30.06.2016 RM'000</b>
Operating profit has been arrived at after charging:-				
Amortisation of intangible assets	130	132	260	263
Depreciation of property, plant and equipment	436	439	845	910
Interest expenses	665	840	1,434	1,727
Property, plant and equipment written off	-	-	-	2
Realised loss on foreign exchange	62	94	102	121
Unrealised loss on foreign exchange	5	(42)	7	13
After crediting:-				
Gain on disposal of property, plant and equipment	-	-	-	743
Interest Income	2	3	39	4
Rental Income	79	97	163	151
Realised gain on foreign exchange	-	(5)	-	16

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

**B13 Status of Utilisation of Proceeds from Private Placement**

As at 30 June 2017, the Group had fully utilised the proceeds from 1st and 2nd Tranches of private placements.

Details of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount		Explanations (if the deviation is 5% or more)
				RM'000	%	
Proceeds from Proposed Private Placement dated 18 October 2016		2,500				
Proceeds from Proposed Private Placement dated 11 April 2017		3,503				
		6,003				
a) Repayment of bank borrowing	3,500	3,500	Within 12 months	-	0%	
b) Working capital	1,159	2,403	Within 12 months	(1,244)	-26%	Deviation derived due to the proposed placement price of RM0.171 per shares which is lower than the actual average placement price subscribed of RM0.21 per shares.
c) Estimate expenses in relation to the Private Placement	100	100	weeks	-	0%	
<b>Total</b>	<b>4,759</b>	<b>6,003</b>		<b>(1,244)</b>	<b>-26%</b>	