

Statement on Corporate Governance

The Board of Directors (“the Board”) of SMR Technologies Berhad is pleased to report to the shareholders how the Group has applied the principles as set out in the Malaysian Code on Corporate Governance (“Code”).

DIRECTORS

Responsibilities

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, overseeing the conduct of the company’s business to evaluate whether the business is being properly managed, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, succession planning, developing shareholders communication policy and reviewing the adequacy and the integrity of the company’s internal control systems.

Dr. R. Palan, being the Chairman and Chief Executive Officer, is primarily responsible for the orderly conduct and working of the Board and ensuring integrity and effectiveness of the governance process of the Board. He also manages the overall business operations and is accountable to the Board for the overall organisation and management of the Group.

Board Balance

The Board currently consist of five (5) members; namely two (2) Executive Directors and three (3) Independent Non-Executive Directors which is in compliance with paragraph 15.02 of the ACE Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) which requires at least two (2) Directors or one-third of the Board of the Company whichever is the higher, to be Independent Directors.

Part 2 of the Code on Best Practices in Corporate Governance states that there should be clearly accepted division of responsibilities at the head of the Company and where the roles of the Chairman and Chief Executive Officer are combined, there should be a strong independent element on the Board.

The roles of the Chairman and Chief Executive Officer, held by Dr. R. Palan, is combined as the Board is confident that Dr. R. Palan, who is distinguished, respected and experienced in the industry is able to contribute considerable experience towards accomplishment of the Group’s objectives.

The Directors with their different backgrounds and specialisation, collectively bring with them a wide range of experience and expertise. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The Independent Non-Executive Directors play important roles by exercising independent judgement and objective participation in the proceedings and decision-making processes of the Board. As such, there is a proper balance in the Board because the presence of Independent Non-Executive Directors of the caliber necessary to carry sufficient weight in Board decisions. Together with the Executive Directors who have sound knowledge of the business, the Board is constituted of individuals, who have proper understanding and competence to deal with the current and emerging business issues.

The Code recommends the appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed. Mr. Leow Nan Chye has been appointed to fulfill this role.

The profile of each Director is set out in the Profile of Directors section in this Annual Report.

Board Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year, the Board held four (4) meetings.

Minutes of each Board meeting are circulated to each Board member prior to confirmation of the minutes in the next Board meeting.

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ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospect primarily through the annual financial statements and quarterly announcement of results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process.

The Statement by Directors made pursuant to Section 169 of the Companies Act, 1965 is set out in the Annual Report under the Statement of Directors' Responsibility.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Directors are required by The Companies Act, 1965 to prepare financial statements for each financial year which are drawn up in accordance with applicable approved accounting standards the provisions of the Companies Act, 1965 which gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year. In preparing the financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

Relationship with the External Auditors

The Board through the Audit Committee has established a formal and transparent professional relationship with the external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report. The Audit Committee met the External Auditors to discuss the external audit findings, without any Executive Directors being present.

Internal Control

The Board acknowledges its responsibilities for the Group's system of internal control which provide reasonable assessment of effective and efficient operations, internal controls and compliance with regulations and law. The system provides reasonable but not absolute assurance against material misstatement, loss and fraud.

Details of the system of internal controls are contained in the Statement on Internal Control in this Annual Report.

Statement of Compliance with Best Practices

The Board endeavours, in so far as it is applicable, towards achieving compliance with the best practices of good governance to the recommendations of the Code.

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DIRECTORS' REMUNERATION

The determination of the remuneration of the Executive Directors and Non-Executive Directors is a matter decided by the Board as a whole, with the Director concerned abstaining from participating in decision in respect of the individual remuneration.

An analysis of the aggregate Directors' remuneration paid for Directors of the Company for the year ended 31 December 2009 is set out below:-

Name of Director	Salaries & Allowance	Directors' Fees	Attendance Fees	Contribution to Provident Fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive					
Dr. R. Palan	309	-	8	29	346
Kamatchi @ Valliammai A/P Malayandi (resigned on 6 July 2009)	63	-	2	11	76
Dr. Nadarajah Manickam	125	-	3	12	140
Non-Executive					
Tuan Haji Ishak Bin Hashim	-	24	7	-	31
Leow Nan Chye	-	24	8	-	32
Dato' Veerasingam Suppiah (resigned on 11 March 2009)	-	5	-	-	5
Venkiteswaran Sankar	-	24	4	-	28

The above mentioned Directors' remuneration is the total sum of the remuneration received by the Directors from the Company and its subsidiaries.

An analysis of the number of Directors of the Company whose remuneration falls under each range is set out below:-

Remuneration band	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	1	-
RM300,001 – RM350,000	1	-

SHAREHOLDERS

The Board acknowledges the importance of regular communication with shareholders and investors and this is achieved via the annual reports, circular to shareholders, quarterly financial reports and the various announcements made during the year which shareholders can have an overview of the Group's performance.

An important forum for communication and dialogue with the shareholders is through the Annual General Meetings ("AGM"), whereby shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on resolutions. The Annual Report and Notice of Meeting are forwarded to the shareholders at least twenty-one (21) days before the date of the meeting.

The Group has also participated in the Malaysian Investor Relations Association (MIRA) and CMDF-Bursa Research Scheme II (CBRS II) programmes and there is an investor's relation section in its Group website at <http://www.smrhgroup.com>. where investors and shareholders can access for information.

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BOARD COMMITTEES [cont'd]

Remuneration Committee [cont'd]

3. **Chairman**

The Chairman of the RC shall be elected from amongst their members. The Chairman of the AC shall be approved by the Board.

4. **Meetings**

The RC may meet together for the dispatch of business, adjourn and other wise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Secretary shall on the requisition of the members of the RC summon a meeting of the RC except in the case of an emergency, reasonable notice of every RC meeting shall be given in writing.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

5. **Quorum**

A quorum shall consist of two (2) members, one of whom shall be the Chairman of the RC.

6. **Authority**

The RC shall, in accordance with a formal and transparent procedure or process or policy on Executive Directors' remuneration packages to be determined and established by the Board and at the expense of the Company,

- (a) review, assess and recommend to the Board the remuneration packages of the Executive Directors in all forms, with other independent professional advice or outside advice as necessary; and
- (b) be entitled to the service of a company secretary who must ensure that all decisions made on the remuneration packages of the Executive Directors be properly recorded and minuted in the minutes book.

7. **Duties and Responsibilities**

The duties and responsibilities of the RC are as follows:-

- To review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice;
- To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully;
- To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at board level at a particular time;
- To recommend to the Board the remuneration packages of the Executive Directors; and
- To consider and examine such other matters as the RC considers appropriate.

The RC recommends to the Board, the proposed remuneration of all Directors (both Executive and Non-Executive). The RC is empowered by its terms of reference, which is approved by the Board.

These terms of reference may change from time to time to fulfill such other requirements as prescribed by the Bursa Malaysia.

The RC held one (1) meeting during the financial year ended 31 December 2009, which was attended by all members except Madam Kamatchi as the meeting was held after her resignation.

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BOARD COMMITTEES [cont'd]

Nomination Committee [cont'd]

6. Authority [cont'd]

- (b) assess on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director; and
- (c) be entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the LR of the Bursa Malaysia or other regulatory requirements.

7. Duties and Responsibilities

The duties and responsibilities of the NC are as follows:-

- To recommend to the Board, candidates for all directorship;
- To consider, in making its recommendations, candidates for directorships proposed by the Chairman and CEO and, within the bounds of practicability, by any other senior executive or any Director or shareholder;
- To recommend to the Board, the nominees to fill in the seats on the Board Committees;
- To assess the effectiveness of the Board as a whole, as a whole and each individual Directors/committees of the Board; and
- To consider and examine such other matters as the NC considers appropriate.

The NC evaluates new candidates and current Directors, and performs other duties as spelled out in the NC's terms of reference.

The NC held one (1) meeting during the financial year ended 31 December 2009, which was attended by all members.

Remuneration Committee

The Remuneration Committee ("RC") comprises three (3) Independent Non-Executive Directors as follows:-

Tuan Haji Ishak Bin Hashim
Chairman of RC/Independent Non-Executive Director

Mr. Leow Nan Chye
Member/Independent Non-Executive Director

Kamatchi @ Valliammai A/P Malayandi
Member/Executive Director
(resigned on 6 July 2009)

Dr. Nadarajah
Member/Executive Director
(appointed on 6 July 2009)

1. Objectives

The RC comprising a majority of independent Non-Executive Directors recommends the remuneration of Executive Directors to the Board. The Executive Directors do not participate in the decision on their own remuneration.

2. Composition of Members

The Board shall elect the RC members from amongst themselves, composed wholly or mainly of Non-Executive Directors.

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BOARD COMMITTEES

The Board has delegated certain responsibilities to Board Committees which operate within defined terms of reference. The Board Committee includes the Audit Committee, Nomination Committee and Remuneration Committee. The respective Committee reports to the Board on matters considered and their recommendation thereon. The ultimate responsibility for the final decision on all matters however, lies with the Board.

Audit Committee

The Audit Committee ("AC") is chaired by Mr Leow Nan Chye, an Independent Non-Executive Director. The AC plays an active role in assisting the Board in discharging its governance responsibilities. The composition of the AC, its terms of reference, attendance of meetings and a summary of its activities are set out in the AC Report in this Annual Report.

Nomination Committee

The Nomination Committee ("NC") comprises two (2) Independent Non-Executive Directors as follows:

Tuan Haji Ishak Bin Hashim (*Chairman of NC/Independent Non-Executive Director*)
Mr. Leow Nan Chye (*Member/Independent Non-Executive Director*)

1. Objectives

The NC will assist the Board in their responsibilities in proposing new nominees to the Board and also to assess Directors on an on-going basis.

2. Composition of Members

The Board shall elect the NC members from amongst themselves, composed exclusively of Non-Executive Directors, a majority of whom are independent.

3. Chairman

The Chairman of the NC shall be elected from amongst the NC members. The Chairman of the NC shall be approved by the Board.

4. Meetings

The NC may meet together for the dispatch of business, adjourn and other wise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Secretary shall on the requisition of the members of the NC summon a meeting of the NC except in the case of an emergency, reasonable notice of every NC meeting shall be given in writing.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

5. Quorum

A quorum shall consist of two (2) members, one of whom shall be the Chairman of the AC.

6. Authority

The NC shall, in accordance with a procedure or process to be determined and established by the Board and at the expense of the Company,

- (a) annually review the required skills and experience and other qualities, including core competencies which Non-Executive and Executive Directors should have;

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DIRECTORS [cont'd]

Board Meetings [cont'd]

Details of the Directors' attendance at meetings during the financial year 2009 are as follows:

Board Meetings Attended during Tenure in Office

Dr. R. Palan	<i>Chairman & Chief Executive Officer</i>	4/4
Kamatchi @ Valliammai A/P Malayandi ⁽¹⁾	<i>Executive Director</i>	1/2
Dr. Nadarajah Manickam	<i>Executive Director</i>	4/4
Tuan Haji Ishak Bin Hashim	<i>Independent Non-Executive Director</i>	4/4
Mr. Leow Nan Chye	<i>Independent Non-Executive Director</i>	4/4
Mr. Venkisteswaran Sankar	<i>Independent Non-Executive Director</i>	4/4
Dato' Veerasingam Suppiah ⁽²⁾	<i>Independent Non-Executive Director</i>	1/1

⁽¹⁾ Up to date of resignation on 6 July 2009.

⁽²⁾ Up to date of resignation on 11 March 2009.

Supply of Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, the Directors have full and unrestricted access to all information pertaining to the Group's business and affairs to enable them to discharge their duties.

All Directors are provided with notices and agenda of meetings prior to the Board meeting. The Company Secretary is in attendance at Board Meetings to ensure that meeting procedures are followed and applicable statutory and other regulations are complied with. Senior Management staff may be invited to attend Board meetings to provide the Board with explanations and clarifications on issues that are being deliberated.

In addition, all Directors have access to the services of the Company Secretary, management and other independent advisors, where necessary at the Group's expenses.

Appointment and Re-Election of Directors

The Board is appointed in a formal and transparent practice as endorsed by the Code. The Nomination Committee will make recommendations or the Board will go through this entire process on its own. The Company Secretary will ensure that all appointments are properly made and that all legal and regulatory obligations are met.

The Company's Articles of Association provides that at the annual general meeting in every year, at least one-third or the number nearest to one-third of the Board shall retire from office and be eligible for re-election and all directors shall retire from office once in every three (3) years but shall be eligible for re-election. The election of each Director is voted on separately.

Directors' Training

All Directors have completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities. During the financial year ended 31 December 2009, the Directors attended courses and talks on corporate governance (Directors' Duties and Corporate Governance Revisited) and human capital development to further enhance their skills and knowledge. Directors' education also covers briefings given by the various parties including Internal Auditors, External Auditors and Company Secretary on the relevant updates relating to regulatory and statutory requirements from time to time during the Audit Committee and Board meetings.