commercialising

frontier technology

2008 annual report

Our technology clusters at MIMOS are the icons of what our R&D is all about – frontier technologies. As a premier applied research centre, MIMOS has been relentlessly pursuing technologies that will benefit the indigenous industries. The focus has been on market-driven technology areas namely Information Security, Grid Computing, Wireless Communications, Microsystems & MEMS, Advanced Informatics and Knowledge Technology.

MIMOS technology clusters are the theme of our 2008 Annual Report. Our clusters have made considerable progress towards building technology platforms that can be commercialised. This Annual Report shares our enthusiasm to help local businesses with our homegrown technology solutions.

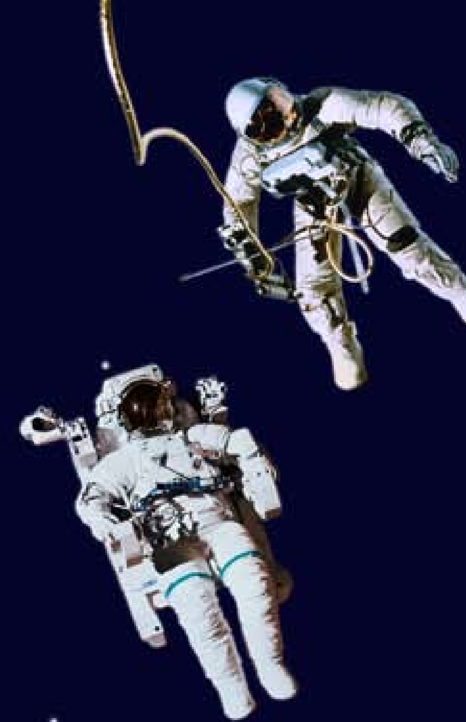
Content

Vision

To be a premier applied research centre in frontier technologies.

Mission

To pioneer innovative information and communication technologies towards growing globally competitive indigenous industries.



SATRIA 1 Leadership Core Values

1. **Uncompromising Integrity**
   Acting in accordance with standard moral judgement which is consistent with MIMOS code of ethics.

2. **Envisioning Technology Leadership**
   Demonstrating eagerness to acquire necessary technical knowledge, skills and competencies to accomplish results or to serve customer needs effectively.

3. **Shared Vision among Team Members**
   Demonstrating an understanding of the link between one's own job responsibilities and overall organisational goals and needs, and performing one's job with the broader goals in mind.

4. **Flawless Execution of Commitments**
   Applying, maintaining and improving extensive or in-depth specialised knowledge or skills to accomplish a result or to service one's customers effectively. Demonstrating concern for meeting internal and external customers' need in a manner that provides satisfaction for the customer with the resources available.

5. **Edge in Performance**
   Producing quality results or services that exceed organisational standards.

6. **Culture of Innovation, Creativity & Productivity**
   Adapting easily to change, seeing the merits of differing positions and strategies in response to new information or changes in situation.

7. **Teaming as a Way of Life**
   Able to develop cooperation and collaboration towards producing better solutions, which generally benefit all parties involved.

8. **Accountability for all Actions**
   Making decisions authoritatively and wisely, after adequately contemplating various available courses of action. Taking responsibility for all decisions and actions.

The SATRIA Values:

SATRIA 1: Leadership Core Values

SATRIA 2: Applied Research Focus

SATRIA 3: Advanced Technology Roadmap

SATRIA 4: Development of Technology Portfolios

SATRIA 5: Market Focus

SATRIA 6: Smart Partnership

SATRIA 7: Sustaining Growth

SATRIA 8: Rules of Engagement

Corporate Information

Company Name: MIMOS Berhad

Company Number: 336183-H

Date and Place of Incorporation: 16 March 1995, Malaysia

Secretaries:
1. Lee Kwai Siong
2. Lim Chiew Sim

Registered Office:
Taman Teknologi Malaysia,
Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000
Kuala Lumpur.
Tel: 603-8995 5102
Fax: 603-8991 4358

Principal Office:
Technology Park Malaysia
Bukit Jalil
57000 Kuala Lumpur
Tel: 603-89955000
Fax: 603-89962755

Branch Office:
Mimos Berhad
Lot 2/3, Fasa 1
Kulim Hi-Tech Park
09000 Kulim
Kedah Darul Aman
Tel: 604-4273000
Fax: 604-4033815

Auditors:
Ernst & Young (AF 0039)

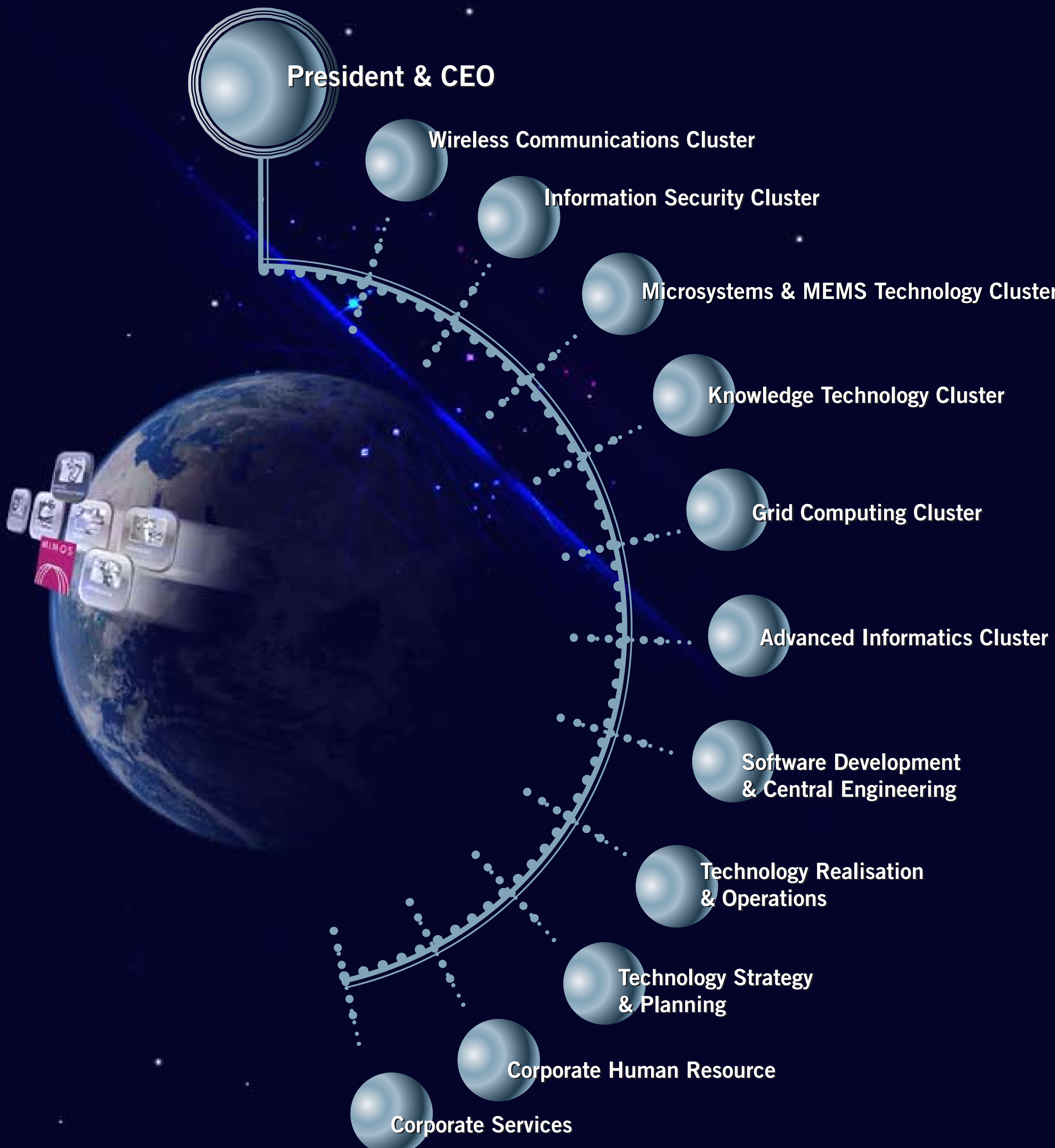
Company Profile

Incorporated on 16 March 1995, MIMOS Bhd is a strategic agency under the Ministry of Science, Technology and Innovation of Malaysia.

MIMOS pursues exploratory and industry-driven applied research through multi-stakeholder smart partnerships with universities, research institutes, government and industries with a focus on frontier technologies.

MIMOS focuses on market-driven R&D to ensure the technologies can be commercialised for sustained growth. MIMOS' R&D focuses on six technology clusters namely Advanced Informatics, Grid Computing, Information Security, Knowledge Technology, Microsystems & MEMS and Wireless Communications Technology.

Organisation Structure



MIMOS Lab Clusters

MIMOS focuses on market-driven R&D to ensure that our technologies can be commercialised:

Information Security

MIMOS Information Security Cluster's vision is to protect Malaysia's cyberspace and safeguard the country's critical information by providing a self-sufficient, highly secure computing environment and information infrastructure.

This Cluster provides a platform for the ultimate security in information communication and storage to ensure that sensitive and valuable information are concealed from prying eyes so that government and business transactions can retain their data integrity.

Grid Computing

MIMOS Grid Computing spearheads the KnowledgeGRID Malaysia, a National Grid Computing Initiative under the Ninth Malaysia Plan. This initiative is carried out with close collaboration with local universities, R&D institutions and industries with the objective of providing secure, dependable and comprehensive access to computing power to everyone without incurring financial burden.

MIMOS Grid Computing is committed to ensure the grid to be the next knowledge infrastructure for the nation – one which maximises high performance computing resources to accelerate research and industrial development for national wealth and value creation. MIMOS Grid Computing aims to transform computing & ICT capabilities into the next utility service for the country.

Knowledge Technology

MIMOS Knowledge Technology Cluster's mission is to accelerate the development of new algorithms and components related to knowledge extraction, representation and reasoning, natural language processing, semantic visualisation and multi-agents through collaborative efforts with other leading research institutions, world class technology companies and universities.

The research and development carried out will support other applied and advanced technology centres at MIMOS in their various technology initiatives. MIMOS is currently focusing its research on 3.0 "semantic (knowledge) technology".

Wireless Communications

Wireless Communication technologies make it possible to communicate with anyone around the world at any time from virtually everywhere. New wireless broadband technologies meanwhile, are bringing the promise of high bandwidth everywhere.

High-speed wireless networks composed of an array of underlying technologies, using converged devices will change the broadband landscape. The new communication paradigm will make it possible to deliver converged interactive services comprising of voice, video and data at the highest quality. Our challenge is to accelerate the adoption of this new paradigm for the benefit of the nation.

Advanced Informatics

MIMOS Centre for Advanced Informatics is responsible for the research & development of innovative techniques related to the processing and representation of information for practical problems with commercial potential. The centre aims to excel in the areas of pattern analysis and pattern recognition as they relate to machine learning, machine intelligence and multi-constraint optimisation.

The Centre develops localised, cost-effective and robust solutions in pattern analysis and pattern recognition which can be applied to numerous domains including surveillance and biometrics. The development of intelligent imaging solutions will help extend the capability of physical security monitoring by decreasing the frequency of human error.

Microsystems & MEMS

MIMOS Microsystems & MEMS Cluster strives to be a world leader in MEMS Technology in the development of innovative sensor platforms that will have a pervasive impact on the local economy and society. The Cluster covers the areas of micro-sensor design, smart interface electronics, wireless connectivity, advanced packaging and soil engineering to deliver platform solutions. One of the Cluster's key initiatives is the development of a micro-sensory platform that can be used for environmental monitoring in precision agriculture.

Corporate Structure

Digicert Sdn. Bhd.
(Company No: 457608-K)
Date of Incorporation: *21/02/1998*
Ammount of shares: *45%*
Nature of business: *A licensed certification authority.*
Status: *Active*

MIMOS Berhad
(Company No: 336183-H)
Date of Incorporation: *16/03/1995*
Nature of business: *Undertake research and development in the areas of information & communication technology (ICT), microelectronics and semiconductor*
Status: *Active*

OICNetworks Sdn. Bhd.
(Company No: 512128-P)
Date of Incorporation: *21/04/2000*
Ammount of shares: *49%*
Status: *Dormant*

Malaysia Microelectronic Solutions Sdn. Bhd.
(Company No: 512608-U)
Date of Incorporation: *26/04/2000*
Ammount of shares: *54%*
Nature of business: *Integrated circuits (IC) design & marketing of IC products*
Status: *Active*

Encipta Ltd.
(Company No: LL02689)
[Labuan Offshore Company}
Date of Incorporation: *08/12/2000*
Ammount of shares: *100%*
Nature of business: *Provision of management and semiconductor wafer fabrication services and also trading of semiconductor wafers.*
Status: *Active*

Artisan Encipta Ltd.
(Company No: 412464)
[Exempted Company, Bermuda}
Date of Incorporation: *08/01/2002*
Ammount of shares: *30% of Artisan Encipta*
Nature of business: *Providing investment advisory and capital management services.*
Status: *Active*

MIMOS Semiconductor (M) Sdn. Bhd.
(Company No: 498484-V)
Date of Incorporation: *10/11/1999*
Ammount of shares: *100%*
Nature of business: *Provision of management and semiconductor wafer fabrication services and also trading of semiconductor wafers.*
Status: *Dormant*

Board of Directors

Mohamad Rashdi Bin Mohamad Ghazalli
Director
Sapura Crest Petroleum Berhad

Abdul Rahim bin Abdul Hamid
Independent Non-Executive Director

Prof. Datin Paduka Dr. Khatijah binti Mohamad Yusoff
Independent Non-Executive Director

Dato' Dr. Sharifah Zarah binti Syed Ahmad
(Alternate Director to Prof. Datin Paduka Dr. Khatijah binti Mohamad Yusoff)
Non-Independent Non-Executive Director

Dato' Abdul Wahab bin Abdullah
President and Chief Executive Officer

Datu Dr Hatta bin Solhi
Independent Non-Executive Director

Datuk John Maluda
Independent Non-Executive Director

Dato' Suriah Abd Rahman
Chairman

Gho Peng Seng
Non-Independent Non-Executive Director

Senior Leadership Team

Dato' Abdul Wahab Abdullah
President & Chief Executive Officer

Abdul Aziz Abdul Kadir
Senior Vice President
Technology Strategy
Realisation & Operations

Thillai Raj T. Ramanathan
Vice President
Software Development and
Central Engineering
Head
Grid Computing Cluster

Dr Chandran Elamvazuthi
Director
Technology Strategy & Planning

Prof Dr Masuri Othman
Head
Micro System and MEMS Cluster

Mohd Ali Mustafa
Vice President
Product Development
and System Integration

Jun Maria Tan Abdullah
Vice President,
Corporate Human Resource

Emelia Matrahah
Vice President
Corporate Services

Prof Dr Mohamed Ridza Wahidin
Head
Advanced Informatics Cluster

Dr Lukose Dickson
Head
Knowledge Technology Cluster

Dr Mazlan Abbas
Head
Wireless Communications Cluster

Moving forward to fulfil national aspirations

From its humble beginning almost two decades ago, MIMOS has shown its ability to adapt and become a pioneer in innovative information and communication technology. Today, we are proud of MIMOS, our own national applied research centre in frontier technologies, that strives to enhance the nation's competitiveness.

MIMOS continues to move forward in pursuing the national aspirations of a knowledge society. A number of initiatives have been rolled out by MIMOS to support the Ministry of Science, Technology and Innovation's vision of "Science, Technology and Innovation for Knowledge Generation, Wealth Creation and Societal Well-Being".

To encourage the creation of knowledge, MIMOS is pushing its organisation-wide internal IP reward programme. I understand that this programme has been gaining momentum with more and more IP being generated within MIMOS particularly in ICT and its focus areas. This initiative should be followed by others because we want a nation that is not just rich in natural resources but also rich in people with talents, knowledge and creativity.

Foreword by the Minister

Knowledge is power, says the old adage. Through knowledge, societies and nations prosper. In this case, knowledge generated at MIMOS labs will enable the creation of technology platforms which when commercialised will provide positive impacts to the country's socio-economic system. I believe that we can develop our very own technology platforms comparable if not better than those developed outside.

In pursuing material wealth, we should not forget societal well-being. I am deeply touched with MIMOS' initiative to bridge the digital divide through technology platforms such as Jen-ii and various programmes that benefit people including in Sabah and Sarawak. This is important because the benefits of ICT should cut across all communities in Malaysia regardless of who and where they are.

Finally, I wish to offer my heartfelt appreciation to MIMOS for the tremendous contribution and a job well done throughout the year. Together, with determination and confidence, I believe we can weather the challenges throughout 2009 and beyond.

Thank you and God bless.

Dato' Dr Maximus Johnity Ongkili, JP
Minister of Science, Technology and Innovation, Malaysia

Chairman's Message

Cultivating the culture of innovation

The year 2008 is something to remember as I was offered to become MIMOS Chairman. I am deeply honoured and thank the Government and the Ministry of Science, Technology and Innovation (MOSTI) for their trust and confidence in me, and more so because MIMOS plays an important and strategic role in driving the nation's research and development (R&D) in ICT.

In a world that is getting smaller as a result of globalisation, the broad use of ICT is something that we can't avoid. From mobile devices such as mobile phones to PC and to the Internet, these tools have become a part of our lifestyle. In responding to the needs and challenges, the Government has devoted its resources in raising the awareness in people on the importance of ICT. And MIMOS has been an active supporter of the Government programmes towards this goal particularly for those in the rural areas.

The efforts to make the technology accessible to the rakyat are an on-going process. The challenge for us today is how to produce inventors among us so that we will not just be users of the technology. Emphasis and efforts, thus, must also be directed to develop an innovation culture among the people. The nation will greatly benefit from indigenous inventions to make our industries more competitive.

Since its inception, MIMOS has come out with many innovations. The fruits of these innovations cannot be tasted if they are stuck in the labs. Hence, the importance of collaborations and interaction with the industry, research institutions and universities so that the technology platforms developed can be commercialised across various spectrums.

I believe MIMOS is capable of becoming a renowned premier R&D centre in the world that contributes greatly to the nation's growth and development. I will make sure that MIMOS will help MOSTI to achieve its three main objectives of knowledge generation, wealth creation and societal well-being.

Last but not least, I offer my personal gratitude and sincere appreciation to the Government of Malaysia and the Ministry for their trust, leadership and guidance. I believe that with focus on R&D, MIMOS can move forward to help realise the Government's vision of creating a knowledge-based society in this era of globalisation.

Dato' Suriah Abdul Rahman
Chairman
MIMOS Berhad

President & CEO's Message

Commercialising Frontier Technology

2008 has been another significant year for MIMOS. All of our efforts and hard work particularly in areas such as technology transfer and commercialisation for the past two years have started show encouraging results.

From a stakeholder's perspective, our efforts to pioneer innovative information and communication technologies towards growing globally competitive indigenous industries have shown positive development. As of end 2008, we have exceeded our commitment by developing 21 technology prototypes that can be developed further by the industries to build more innovative products and solutions. In line with this, we had also sealed agreements for technology transfers and many more players are coming to us to licence and develop further our technology platforms.

The response towards our IP Reward Scheme also gained momentum with more IPs being created. In 2008 alone, 249 IPs were disclosed and 109 patents filed. This has also resulted in 12 Gold Badges being awarded to MIMOSians who had a minimum of 10 patents filed.

Another significant 2008 milestone has been the Grid Computing Conference (GCC) 2008 which we successfully organised. This international conference on Grid Computing attracted participation from both local and international experts, industry players and students having an interest in Grid Computing. At the same time, we participated in World Congress on IT (WCIT) 2008 in Kuala Lumpur, billed as the Olympic of the ICT.

As the premier applied research centre in this country, our emphasis on R&D should not be taken lightly. To further strengthen our R&D capabilities, we have established our own Centres of Excellence (COEs) together with universities and our partners. We have five university COEs namely the International Islamic University Malaysia (IIUM); Universiti Malaysia Sabah (UMS); Universiti Malaysia Sarawak (UNIMAS); Universiti Kebangsaan Malaysia (UKM) and Universiti Tunku Abdul Rahman (UTAR). In addition, we have established four more COEs with our industry partners namely Cisco, Microsoft, Agilent Technologies and SGI. These COEs demonstrate the partnership we have with educational institutions and industry for benefit of the nation development.

By working with all the COEs, we believe we can synergise and leverage on their strength to deliver more and better. Success means nothing if we cannot manage it properly. Because of this, we believe focus should be given to our greatest asset which is the people. Our initiatives for human capital development include hiring more experts, especially PhD and Master's degree holders. We also initiated on a programme to improve people's skills and knowledge known as Domain Expert Competency programme to transform them from novice to expert.

We continued to improve on organisational development in compliance with industry standards. In 2008, MIMOS achieved Level 4 CMMi (industry practice) compliance. This achievement is significant especially in improving our business strategy, management and process. On top of that, we managed to obtain more Six Sigma certifications demonstrating our commitment to deliver quality jobs.

Like the year before, our journey and initiatives have been well documented with positive response from members of the public and media. More people, both locally and internationally, have shown interest in our technology platforms and have expressed interest to collaborate with us.

Moving forward in 2009, we expect to see more exciting things to happen including more strategic international technology alliances, more COEs being setup and more technology platforms developed and commercialised that will benefit the nation. In the years ahead, we will continue to work hard and seek out opportunities for strategic R&D collaboration in frontier technologies.

Giving thanks

I would like to express my gratitude to the Ministry of Science, Technology and Innovation and MIMOS Board of Directors for their unwavering support, guidance and encouragement throughout the year. The commendable results we achieved in 2008 are a splendid tribute to the hard work and dedication of everyone. Again, I would like to offer each and every one of them my sincere appreciation. Together, with the support of all our stakeholders, we are confident that we will meet the challenges that lie ahead in 2009.

Thank you.

Dato' Abdul Wahab Abdullah
President & CEO
MIMOS Berhad

DELIVERING COMMITMENTS

2008 has been another significant year for MIMOS in terms of technology platforms it had developed. Our commitment is to deliver the projects outlined in the Ninth Malaysia Plan (9MP) which was unveiled in 2006. In 2008, we met expectations by delivering eight commercial prototypes, bringing the total number of technology prototypes being developed to 21.

These technology prototypes were developed in MIMOS labs. The following lists are proof-of-concept R&D outputs that came out from the labs.

Information Security cluster:
- Quantum Random Number Generator
- Quantum Key Distribution
- Trusted Computing
- Universal Security Processor / E2E Encryption Prototype

Wireless Communications cluster:
- Wireless-IPv6 – AAA, Heterogeneous MIPv6 functionality Demo
- Wireless – 6LoWPAN WSN
- Wireless – WiWi Gen 1.5, NeMO, Multicast, Enterprise Gateway
- Wireless – IMS

Knowledge Technology cluster:
- Web Constructor
- Innovative Learning
- Semantic Visualization
- Semantic Agent
- Semantic Multimodal Understanding
- Semantic Reasoning

Advanced Informatics cluster:
- Intelligent Pattern Recognition Components
- Advanced Wide Area Surveillance – AWAS

Micro-Nano cluster:
- MEMS – Precision Agriculture

Grid Computing cluster:
- Grid Computing

MIMOS showcased its proof-of-concept technology platforms during the MIMOS Technology Previews (MTPs) held twice in 2008. The first MTP was held in June while the second in December 2008. Both events attracted more than 1,000 key industry players from both the telecommunications sector and information and communications technology (ICT) sector.

MTP serves as a platform to attract key industry players and potential technology recipients, for licensing and commercialisation of MIMOS technologies. The MTP is another step towards realising MIMOS' vision to become the premier applied research centre in frontier technologies. The MTP initiatives are in line with MIMOS' focus as a leader in applied research in frontier technologies as well as the Ministry of Science, Technology and Innovation's vision of knowledge creation, wealth creation and societal well-being.

Technology Transfer

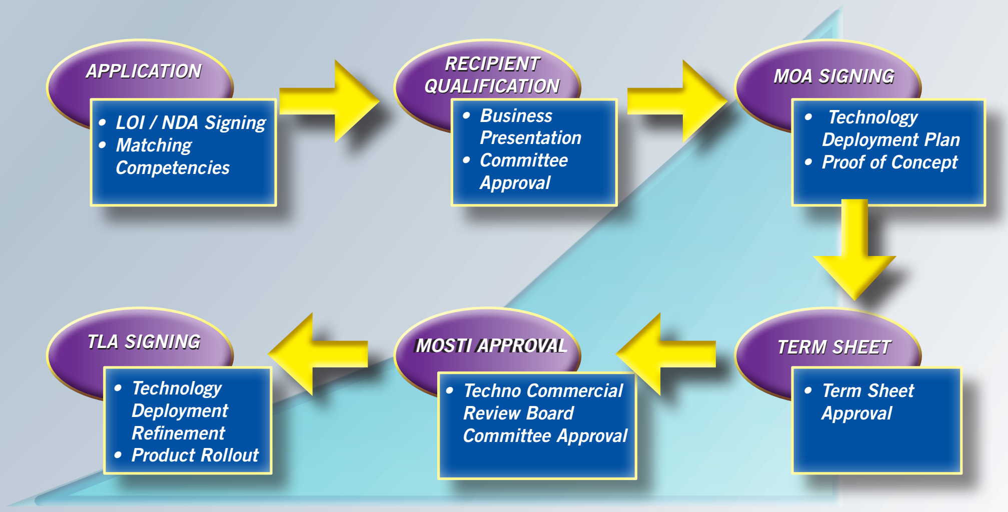
MIMOS technology commercialisation is about transferring innovative technology developed by MIMOS labs to local companies. The primary goal of the technology transfer is to encourage indigenous industries to broadly use these technology platforms to develop innovative products and solutions rapidly.

In transferring our technology, MIMOS will provide guidance on technology integration and technical training for technology migration to our technology recipients.

To ensure successful and high impact for commercialisation, MIMOS looks at qualified and competent recipients. These recipients must have strengths in areas such as technology/domain competency; product distributorship; financial resources; and business planning.

These requirements ensure the recipients will have the competence to successfully develop, market and support products and related products being transferred. MIMOS will evaluate the competency of company to ensure adequate performance in adopting the technology.

As of end 2008, MIMOS has already signed 10 Memoranda of Agreement (MoA) on technology transfer. The company also has signed 13 Memoranda of Understanding (MoU) with industry players aimed at exploring possibilities of developing products for commercialisation. In addition, 54 more applications were still in progress.



The process of MIMOS technology transfer

The primary goal of technology transfer is to encourage indigenous industries to use locally developed technology platforms.

The transfer of technology platforms to the technology recipients helps enhance their existing products and services, giving them the competitive edge in the challenging marketplace.

The 10 recipients of MIMOS Technology Platforms who had signed the MoA:

- Alam Teknokrat Sdn Bhd (Skali) – awarded Semantic Technology Platform v1
- Biforst Technology Sdn Bhd – awarded Semantic Technology Platform v1
- Bill Adam Associates Sdn Bhd – awarded Semantic Personaliser Gear v1.0
- MutiaraCom Sdn Bhd - awarded Knowledge Exchange for precision agriculture
- InfoValley Life Sciences Sdn Bhd – awarded Semantic Ontology Visualisation Browser
- In-Fusion Solutions Sdn Bhd – awarded Semantic Advisory and Diagnosis System
- Jaring Communications Sdn Bhd – awarded version 2 of Grid Computing
- CEEDTec Sdn Bhd - awarded WiWi Generation 1.5
- MIMOS Smart Computing Sdn Bhd – awarded Jen-ii, iDola and WiWi Generation 1.5
- PERNEC Integrated Network Systems Sdn Bhd - awarded WiWi Generation 1.5

The 13 potential technology recipients and technology platforms being explored are:

- Quantum Beez Sdn Bhd – Semantic Technology
- TISS MSC Sdn Bhd – Information Security
- CD Solutions Sdn Bhd – MEMS Sensor and Grid Computing
- Ofisgate Sdn Bhd – MIMOS Centres of Excellence
- Innovision Business Solutions (M) Sdn Bhd – MSCAN Platform for Greenhouse Farming & Aquaculture Applications
- Disability Solutions (M) Sdn Bhd – FASIH-Malay Text-to-Speech Engine
- Phytofolia Sdn Bhd – MEMS Sensor for Precision Agriculture
- Astronautic Technology (M) Sdn Bhd – Precision Agriculture
- Select-TV Solutions Sdn Bhd – Surveillance Technology Platform
- Secure Technology Innovations Sdn Bhd – Information Security
- Ceope Consulting Sdn Bhd – Semantic Technology Platform
- Controller Area Network Solutions (M) Sdn Bhd – Controller Area Network System
- Cubic Electronics Sdn Bhd – Surveillance Technology Platform

Strengthening Collaboration

In line with its vision to be the premier research centre in Malaysia, MIMOS has engaged universities and industries on collaborative research projects to develop technology platforms. The applied research function of MIMOS complements to that of the universities and industries to support the indigenous R&D needs of the local industry.

MIMOS is driving the globally recognised Centres of Excellence (COEs) together with its partners to promote and license the technologies or IPs developed to qualified indigenous ICT companies. This will further strengthen the recipient companies' ability to compete globally and move the Malaysian ICT industry higher up the value chain.

Universities

As of end 2008, MIMOS had set-up five COEs at universities for research collaborations. At these COEs, the universities will focus on basic research in selected technological areas of excellence, while MIMOS concentrate on applied technologies.

The COEs with the universities are as follows:

- MIMOS – International Islamic University Malaysia (IIUM) Centre of Excellence in Cyberspace Security Lab
- MIMOS – Universiti Malaysia Sabah (UMS) Centre of Excellence in Semantic Agents
- MIMOS – Universiti Malaysia Sarawak (UNIMAS) Centre of Excellence in Semantic Technology & Augmented Reality
- MIMOS – Universiti Kebangsaan Malaysia (UKM) Centre of Excellence in Micro-Nano Sensor Technology; and
- MIMOS – University Tunku Abdul Rahman (UTAR) Centre of Excellence in Pattern Recognition and Machine Vision.

Aside from this, MIMOS had engaged in R&D collaboration with 12 local universities and 19 foreign universities/research institutes. The outcomes of these collaboration projects are to be channelled to the development of the indigenous industries. These research collaborations with local and foreign universities further strengthen MIMOS' role as the premier applied research centre in frontier technologies, and present the opportunity to pool and tap into a wealth of expertise in various areas and technologies.

Industries

In its efforts to grow globally competitive indigenous industries, it is important for MIMOS to collaborate with the industry players. COEs have been established to effectively enable research collaboration with the industry as well.

Four industry COEs were set-up:

- MIMOS-CISCO Asian Centre of Excellence in Networking Technologies (ACENT)
- MIMOS-AGILENT Centre of Excellence in Test and Measurement Technologies (CEMTA)
- MIMOS- Silicon Graphic International (SGI) Centre of Excellence in High Performance Computing; and
- MIMOS-Microsoft Innovation Centre.

Increasing Intellectual Property Disclosures and Patents Filed

The emphasis on Intellectual Property (IP) is important for Malaysia to move up from just being the user of technology to the inventor. Thus, emphasis should be given on knowledge generation and particularly through IP creation. To meet this need, MIMOS introduced its IP Reward Scheme in 2006 to increase its IP output.

Since the introduction of this scheme, MIMOS has made rapid strikes in the number of IPs being generated. As of end 2008, 526 patents were disclosed and 191 patents filed for innovations in information and communications technologies (ICT) representing six technology clusters – Grid Computing, Information Security, Knowledge Technology, Wireless Communications, Advanced Informatics and Microsystems & MEMS. Out of these, 249 were disclosed and 109 were filed in 2008.

For every MIMOS employee, the target is to have at least one (1) patent disclosure accepted by the IP Committee every year. Commercialisation of any of the IPs will result in royalties for researchers who hold the patent. As such MIMOS continues to encourage its researchers to turn their ideas and novelty into IPs. In addition, organisations worldwide are also encouraged to park their Intellectual Properties (IPs) with MIMOS. This move coupled with the success of MIMOS internal programme demonstrates that MIMOS is well-positioned to become the National Information and Communications Technology (ICT) IP bank.

MIMOS' effort to drive IP creation will hopefully see an explosion of innovation and invention in frontier technologies. This inspiration is in line with the Government's hope to take the country to new heights with science and technology innovation.

Grid Computing Conference

2008 was a year to remember as Malaysia had its first ever Grid Computing Conference (GCC) in May. Organised by MIMOS, GCC 2008 was held for two days in Kuala Lumpur.

The Conference highlighted National Grid Computing initiatives and how it can enhance local industries and enterprises. It also discussed grid computing technology and market trends, grid computing projects in Malaysia, and grid computing in private and public sectors across Asia and how grid computing can bridge the digital divide, improve national productivity and societal well-being in Asia. GCC was launched by Science, Technology and Innovation (MOSTI) Minister Datuk Dr Maximus Ongkili. GCC 2008 attracted about 300 people who shared a common interest in Grid Computing.

Some of the international experts present included Open Grid Forum President Dr Craig Lee, Director of Japan's Grid Technology and Research Centre, AIST, Satoshi Sekiguchi and Germany's D-Grid General Co-ordinator Prof Dr Wolfgang Gentzsch.

The Grid Computing Conference co-organisers included Hewlett-Packard Malaysia, Cisco Malaysia, Sun Microsystems Malaysia, Altair Engineering, Oracle Corporation Malaysia, Silicon Graphics, Microsoft Malaysia and Emerson Network Power Malaysia. GCC 2008 was held in conjunction with the 16th World Congress on IT (WCIT) 2008. WCIT is a premier global ICT forum that brings together global leaders in business, government and academia. Often billed as the Olympics of ICT, it impacts global economic and social development through the exchange of policies and ideas on technology.

The Grid Computing Conference 2008 was the first ever in Malaysia held in conjunction with WCIT 2008.

Human Resource Management

Having the best employees is important for MIMOS to maintain its position as the premier applied research centre in Malaysia. They have to be groomed and developed and transformed from novice to expert. Thus, we have put emphasis on the employee's personal development in areas such as competency, integrity and innovation. By the end of 2008, we had added more researchers including 24 PhD and 46 Masters holders. We developed succession planning policy to retain these researchers.

It involved the roll-out of Domain Expert Competency. This programme aims to transform the researchers in stages from novice to qualified, progressing to proficient and finally to expert. As of end 2008, a total of 364 employees had attended 20,010 hours of training which translated into an average of 7 days of training per employee.

One of the initiatives to improve employee skill and knowledge is the MIMOS Strategic Training Advancement and Recognition (M*STAR) programme. This programme allows everyone at MIMOS to translate their current work into academic credits which can be used to complete a Masters and/or PhD programme.

Improving capacity and capability

MIMOS achieved Level 4 Capability Maturity Model Integration (CMMI) in 2008. CMMI was originally applied as a tool for objectively assessing the ability to execute a software project. Although CMMI is normally used for software development, it can be applied in understanding the process capability maturity of organisations in diverse areas; for example in software engineering, system engineering, project management, software maintenance, risk management, system acquisition, IT and personnel management.

Studies have shown that an organisation with high maturity level can experience substantial financial savings, improved quality and productivity, faster project completions and less variance in project delivery. Achieving Level 4 CMMI means an organisation like ours can better estimate the cost of a project and deliverables thus improving our cost, work and productivity.

In addition, we have implemented Six Sigma certification to improve our business management strategy, with the central idea to systematically reduce the number of defects to a “zero” defect status. In 2008, MIMOS obtained three Six Sigma Belt certifications, 24 Six Sigma Green Belt certifications and 419 Six Sigma White Belt certifications.

Corporate Social Responsibility

Supporting the Government’s call for increase ICT literacy, MIMOS believes ICT revolution should reach all levels of society regardless of who or where they are. We believe the younger generation is the key to the future well-being of our nation. Therefore, we endeavour to teach them about science and technology through our programmes and initiatives.

With the support of MOSTI, we had initiated various programmes for the communities especially in rural areas. MIMOS K-Wheels for instance, continues to be the main attraction in our efforts to educate the public particularly school children on the ICT.

MIMOS K-Wheels acts as our mobile exhibition unit for interactive and multimedia showcases. The unit has attracted thousands of children in many exhibitions that MIMOS participated in throughout 2008 in places such as Pahang, Terengganu, Perlis and Kedah.

MIMOS K-Wheels a mobile exhibition showcase has attracted and impacted thousands of children throughout Malaysia.


17 January


21 January


31 January


1 February


1 February


1 February


5 February


15 February

EVENTS 2008

January

17 January

MIMOS took part in MOSTI assembly gathering at Putrajaya International Convention Centre.

21 January

Visit by delegation from King Abdul Aziz City for Science and Technology, Saudi Arabia.

22-23 January

MIMOS SOA Seminar – The Changing Landscape.

31 January

MIMOS held its Q1 Townhall at Auditorium Tengku Datuk Dr Mohd Azzman Shariffadeen.

February

1 – 10 February

MIMOS participated in Islamic Civilisation Exhibition at Perkampungan Hadhari Terengganu.

5 February

MIMOS extended its collaboration with Altair Engineering to jointly develop and implement new grid enabling activities and projects.

15 – 17 February

MIMOS participated in Science & Technology Exhibition at Baling, Kedah, aimed at increasing awareness on the importance of science & technology to the people.

15 February

25 February

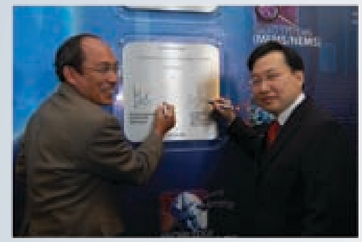
4 March

4 March

5 March

6 March

11 March



11 March

25 February

MIMOS and Oracle sealed a Memorandum of Understanding to jointly develop and deploy a sensor grid pilot project for the agricultural sector.

28 February

MIMOS and Institute of Integrity Malaysia held Satria 1 Convention at Jalan Duta.

March

4 March

MIMOS-SGI talk by Dr Lynn Lewis and Knowledge Sharing Semantic Tech Prof John Sawo.

5 March

Visit by delegation from FELDA and its subsidiary companies to learn more about MIMOS as well as to learn about MIMOS Precision Agriculture Platform.

6 March

Visit by Afghanistan's Ministry of Communication and Information Director General Amal Marjan.

11 March

Launch of two COEs in networking technologies and test measurement technologies – the Cisco's Asian Centre of Excellence in Networking Technologies (ACENT) & Agilent Technologies' Centre of Excellence in Test and Measurement Technologies in Asia (CEMTA).

19 March

25 March

1 April

4 April

9 April

15 April

20 April

23 April

19 March

Visit by students from Universiti Tun Hussein Onn's Information Technology & Multimedia Faculty.

25 March

Visit by students from Institut Kemahiran PERDA-TECH, Penang.

April

1 April

Visit by MOSTI Minister Datuk Dr Maximus Ongkili and Deputy Fadillah Yusof to MIMOS.

4 April

MIMOS and Universiti Malaysia Sarawak (Unimas) signed MoU on Semantic Technology COE.

7 April

MIMOS held Q2 Townhall session.

9 April

Visit by Universiti Teknologi Mara students.

15 April

Visit by South African National Department Director Isaac Maredi and delegation.

20 April

MIMOS signed MoU with Mutiara.com at Penang on the transfer of Precision Agriculture technology.

24 April

25 April

25 April

29 April

15 May

19 May

19 May

20 May

23 April

MIMOS signed MoU with University of Surrey, United Kingdom, to develop technologies and solutions for video surveillance.

24 April

MIMOS participated in Hari Harta Intelek celebration at Kuala Lumpur City Centre. At the event, MIMOS *Makcik PC* won third place in Industrial Award Design Category.

25 – 26 April

MIMOS participated in *Pelancaran Air Asas Kesucian* Expo and Exhibition at Masjid At-Taqwa, Pekan, Pahang.

29 April

Visit by Universiti Sains Malaysia students.

May

15 – 16 May

MIMOS organised Malaysia's first ever Grid Computing Conference 2008 at Palace of the Golden Horses, Kuala Lumpur.

19 – 21 May

MIMOS participated in World Congress on Information Technology 2008 exhibition and conference at Kuala Lumpur City Centre.

19 May

MIMOS signed MoU with Microsoft Malaysia to set up Microsoft Innovation Centre at MIMOS.

20 May

MIMOS COE for Semantic Technology signed MoU with various collaborators aimed to enhance the COE's development and establishment.

22 May

23 May

6 June

9 June

17 June

26 June

3 July

8 July

22 May

Visit by Saudi Arabia's Communications and Information Technology Commission General Manager for CERT-SA Abdul Rahman Alfriah.

23 May

Visit by delegation from Sarawak's Members of Parliament; led by MOSTI Deputy Minister Fadillah Yusof.

June

6 June

Visit by delegation from PT Telekomunikasi Indonesia; led by its Executive General Manager Muhammad Awaluddin.

9 June

MIMOS signed MoU with TM R&D at Menara TM to pave way for closer research collaborations in cutting-edge technologies.

17 June

Visit from Prof Claudia Tuniz – Italy.

26 June

Visit by Deputy Minister in Prime Minister's Department Dato' Devamany Krishnasamy.

July

3 July

MIMOS K-Wheels participated in Career Counselling Carnival – Pudu zone.

7 July

MIMOS held Q3 Townhall session.

14 July

19 July

19 July

19 July

28 July

1 August

1 August

1 August

8 July

Visit by TM Senior Management Team, led by TM Group Chief Executive Officer Datuk Zamzamzairani Mohd Isa.

14 July

MOSTI Minister Datuk Dr Maximus Ongkili led a delegation of key MOSTI and MIMOS personnel to present iDOLA to Yang di-Pertuan Agong at Istana Terengganu.

19 July

MIMOS sealed MoU with Institut Teknologi Bandung (ITB), Institut Teknologi Sepuloh Nopember (ITS), Surabaya, and Universitas Indonesia (UI).

28 July

MIMOS signed MoA with Universiti Tunku Abdul Rahman (UTAR) to set up a joint laboratory on pattern recognition and machine vision.

August

1-3 August

MIMOS participated in science and technology exhibition in conjunction with Sarawak Regatta.

9 August

MIMOS held Family Day at Sunway Lagoon.

11 August

MIMOS signed MoU with UiTM, University of Ruhr Bochum, Germany at Grand BlueWave Hotel, Shah Alam, to collaborate on Trusted Computing Technology.


9 August


11 August


12 August


28 August


5 September


5 September


8 October


9 October

13-22 August

MIMOS participated in Malaysian Agriculture, Horticulture and Agrotourism Exhibition (MAHA) 2008.

28 August

MIMOS signed MoU with the Association of the Computer and Multimedia Industry (PIKOM) to accelerate the commercialisation of locally developed technologies in the ICT.

September

5 September

MIMOS delegation visited Universiti Kebangsaan Malaysia and MINT.

8-9 September

MIMOS M*STAR & Competency Development Education Week.

9 September

Visit by delegation from Petronas Research.

16 September

Visit by Angkasawan Major Dr Faiz.

18 September

Visit by Yayasan Sabah delegation.

October

13 October

Visit by Universiti Putra Malaysia

16 September

18 September

13 October

29 October

29 October

31 October

2 November

13 November

17 October

Visit by Taiwan's Industrial Technology Research Institute (ITRI) President Dr Johnsee Lee.

29-31 October

MIMOS participated in Terengganu Science and Technology Week.

31 October

Visit by Guru-Guru Cemerlang.

November

2 November

MIMOS joined thousands of people to celebrate corn festival at Kota Marudu.

11 November

MIMOS and Universiti Malaysia Sabah (UMS) announced collaboration in Semantic Technology.

13 November

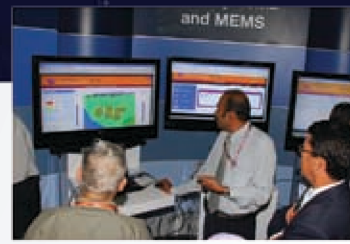
MIMOS and Universiti Malaysia Perlis (UNIMAP) sealed MoA for the development of Micro-electro Mechanical Systems (MEMS) sensors.

20-22 November

MIMOS organised off-site media briefing at Port Dickson, Negeri Sembilan, to build rapport with the media and appreciate their support.

1 December

1 December



2 December

2 December

11 December

15 December

15 December

15 December

December

1 December

MIMOS held dialogue with universities and industries.

2-4 December

MIMOS held second MIMOS Technology Preview (MTP) 2008, attended by about 1,000 industry players. During the event, MIMOS signed MoUs with 13 organisations from the local industry to explore possibilities of developing products for commercialisation.

11 December

Visit by Deputy Minister in Prime Minister's Department Dato' Devamany Krishnasamy.

15 December

MIMOS held Roadmap Technology Review (RMTR) session for its Board of Directors.

News Cuttings

2008 Financial Report

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to undertake research and development in the field of information and communication technologies.

The principal activities of its subsidiaries are designing, marketing and sale of integrated circuit products, provision of management and semiconductor wafer fabrication services and trading of semiconductor wafer, and investment holding. The principal activities of its associates are disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except for the disposal of a subsidiary as disclosed in Note 9(a) to the financial statements.

RESULTS

	Group RM	Company RM
Loss for the year	(32,640,530)	(7,742,012)
Attributable to:		
Equity holders of the Company	(32,866,736)	(7,742,012)
Minority interests	226,206	
	(32,640,530)	(7,742,012)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the discontinued operations arising from the disposal of a subsidiary as disclosed in Note 9(a) to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Suriah binti Abd Rahman (appointed on 24 October 2008)
Abdul Rahim bin Abdul Hamid
Mohamed Rashdi bin Mohamed Ghazalli
Dato' Abdul Wahab bin Abdullah
Gho Peng Seng
Datuk John Maluda @ Wanji (appointed on 20 August 2008)
Datu' Dr. Hatta bin Solhi (appointed on 20 August 2008)
Prof. Datin Paduka Dr. Khatijah binti Mohamad Yusoff (appointed on 17 April 2009)
Dato' Dr. Sharifah Zarah binti Syed Ahmad (appointed on 17 April 2009)
(alternate director to Prof. Datin Paduka Dr. Khatijah binti Mohamad Yusoff)
Mohammad bin Abdullah (retired on 26 June 2008)
Datuk Shahril bin Shamsuddin (resigned on 4 July 2008)
Dato' Gan Nyap Liou @ Gan Nyap Liow (resigned on 31 July 2008)
Dato' Abdul Hanan bin Alang Endut (resigned on 24 February 2009)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, any interest in shares of the Company and its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:
(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

OTHER STATUTORY INFORMATION (CONTD.)

SIGNIFICANT EVENT

Details of a significant event are disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 June 2009.

DATO' SURIAH BINTI ABD RAHMAN
Kuala Lumpur, Malaysia

ABDUL RAHIM BIN ABDUL HAMID

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, DATO' SURIAH BINTI ABD RAHMAN and ABDUL RAHIM BIN ABDUL HAMID, being two of the directors of MIMOS Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 71 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated
4 June 2009.

DATO' SURIAH BINTI ABDUL RAHMAN

ABDUL RAHIM BIN ABDUL HAMID

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, DATO' ABDUL WAHAB BIN ABDULLAH, being the director primarily responsible for the financial management of MIMOS Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 71 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed DATO' ABDUL WAHAB BIN ABDULLAH
at Kuala Lumpur in the Federal Territory
on 4 June 2009.

Before me,

COMMISSIONER FOR OATHS
No:
FARIDAH BINTI
ABDUL HAMID
PPN
MALAYSIA

No.136-1C, 1st Floor
Jln Tun Sambanthan
Brickfields, 50470 Kuala Lumpur

DATO' ABDUL WAHAB BIN ABDULLAH

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIMOS BERHAD
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MIMOS Berhad, which comprise the balance sheets as at 31 December 2008 and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 71.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIMOS BERHAD (CONTD.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 ("Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIMOS BERHAD (CONTD.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
4 June 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

		Group		Company	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
			Restated		Restated
Continuing operations					
Revenue	3	16,274,495	15,488,408	6,372,249	4,346,663
Cost of sales	4	(10,763,009)	(3,888,409)	(4,468,819)	(686,638)
Gross profit		5,511,486	11,599,999	1,903,430	3,660,025
Grant income		139,296,734	121,655,973	139,296,734	121,655,973
Other operating income		8,964,896	7,686,428	7,647,890	9,381,342
Administrative expenses		(113,258,190)	(97,197,611)	(107,880,852)	(88,275,164)
Selling and marketing expenses		(72,155)	(119,286)	(49,125,615)	(51,071,894)
Other operating expenses		(79,988,227)	(42,519,401)	(8,158,413)	(4,649,718)
(Loss)/profit from operations		(39,545,456)	1,106,102	(54,502)	(30,567)
Finance costs		(122,138)	(157,683)		
Share of results of associates	5	3,647,833	826,8951,77	(8,212,915)	(4,680,285)
(Loss)/profit before tax		(36,019,761)	5,314	470,903	(2,730,962)
Income tax	6	443,003	(2,760,462)		-
Loss for the year	8			-	
from continuing operations		(35,576,758)	(985,148)	(7,742,012)	(7,411,247)
			-		-
Discontinued operations					
Profit/(loss) for the year from		2,936,228	(12,874,472)	-	-
discontinued operations	9	(32,640,530)	(13,859,620)	(7,742,012)	(7,411,247)
Loss for the year					
Attributable to:		(32,866,736)	(12,604,325)	(7,742,012)	(7,411,247)
Equity holders of the Company		226,206	(1,255,295)	-	-
Minority interest		(32,640,530)	(13,859,620)	(7,742,012)	(7,411,247)

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2008

	Note	GROUP 2008 RM	GROUP 2007 RM Restated	COMPANY 2008 RM	COMPANY 2007 RM Restated
ASSETS					
Non-current assets					
Property, plant and equipment	10	120,257,830	101,657,026	114,532,660	82,867,101
Intangible assets	11	31,238,934	18,365,427	30,842,771	14,461,637
Investments in subsidiaries	12	-	-	7,000,048	42,429,159
Investments in associates	13	6,605,646	2,969,725	4,050,001	4,050,001
Other investments	14	2	7,689,448	2	2
Deferred tax assets	26	-	3,661,598	-	-
		158,102,412	134,343,224	156,425,482	143,807,900
Current assets					
Short term investments	15	-	-	-	-
Inventories	16	2,341,450	5,028,611	1,148,267	-
Trade receivables	17	2,972,386	7,029,958	1,139,134	869,300
Other receivables	18	15,652,051	21,176,977	15,118,949	16,952,460
Tax recoverable		468,094	4,611,397	-	-
Cash and bank balances	19	206,258,032	267,899,523	195,937,616	239,345,046
		227,692,013	305,746,466	213,343,966	257,166,806
Assets of disposal group/ non-current asset classified as held for sale	9(b)	24,028,489	-	23,858,277	-
		251,720,502	305,746,466	237,202,243	257,166,806
TOTAL ASSETS		409,822,914	440,089,690	393,627,725	400,974,706

BALANCE SHEETS
AS AT 31 DECEMBER 2008 (CONTD.)

	Note	GROUP 2008 RM	GROUP 2007 RM Restated	COMPANY 2008 RM	COMPANY 2007 RM Restated
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	100,000,000	100,000,000	100,000,000	100,000,000
Exchange translation reserve		(3,256,451)	(4,387,090)	-	-
Accumulated losses		(42,541,208)	(9,674,472)	(47,352,680)	(39,610,668)
		54,202,341	85,938,438	52,647,320	60,389,332
Minority interests		3,649,529	3,423,323	-	-
Total equity		57,851,870	89,361,761	52,647,320	60,389,332
Non-current liabilities					
Retirement benefit obligations	21	264,420	239,893	264,420	239,893
Borrowings	23	76,000,000	76,000,000	76,000,000	76,000,000
Funds accounts	27	239,512,298	242,807,075	239,512,298	242,807,075
		315,776,718	319,046,968	315,776,718	319,046,968
Current liabilities					
Provision for liabilities	20	-	1,698,562	-	-
Deferred income	22	-	1,115,327	-	1,081,450
Trade payables		909,579	3,382,256	113,430	609,143
Other payables	24	33,971,925	25,484,816	24,145,294	19,475,574
Tax payable		1,044,429	-	944,963	372,239
		35,925,933	31,680,961	25,203,687	21,538,406
Liabilities directly associated with asset classified as held for sale	9(b)	268,393	-	-	-
		36,194,326	31,680,961	25,203,687	21,538,406
Total liabilities		351,971,044	350,727,929	340,980,405	340,585,374
TOTAL EQUITY AND LIABILITIES		409,822,914	440,089,690	393,627,725	400,974,706

The accompanying notes form an integral part of the financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital RM	Accumulated losses RM	Total RM
At 1 January 2007	100,000,000	(32,199,421)	67,800,579
Loss for the year, representing total recognised income and expense for the year	-	(7,606,317)	(7,606,317)
At 31 December 2007	100,000,000	(39,805,738)	60,194,262
At 1 January 2008			
As previously stated	100,000,000	(39,805,738)	60,194,262
Prior year adjustments (Note 32)	-	195,070	195,070
At 1 January 2008 (restated)	100,000,000	(39,610,668)	60,389,332
Loss for the year,representing total recognised income and expense for the year	-	(7,742,012)	(7,742,012)
At 31 December 2008	100,000,000	(47,352,680)	52,647,320

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RM	2007 RM Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax from:		
Continued operations	(36,019,761)	1,775,314
Discontinued operations	10,019,535	(12,267,135)
Adjustments for:		
Amortisation of intangible assets	6,992,379	7,051,330
Depreciation of property, plant and equipment	26,711,346	21,698,357
Property, plant and equipment written off	-	3,684,242
Loss on disposal of property, plant and equipment	1,026,151	2,917,786
Loss on disposal of intangible assets	167,481	495,950
Impairment loss on plant and equipment	-	9,419,270
Impairment loss on intangible assets	-	11,021,373
Loss on disposal of a subsidiary	40,674,273	-
Written-down of inventories	4,302,328	1,248,427
Share of results of associated companies	(3,647,833)	826,895
Interest expense	2,554,800	249,401
Provision/(write back) for liabilities	947,382	(2,657,562)
Provision for doubtful debts (net)	1,964,336	1,969,538
Bad debts written off	125,000	2,764,862
Writeback of retirement benefits	-	(3,162,364)
Impairment loss on other investments	538,655	2,816,512
Interest income	(7,002,418)	(4,999,383)
Grant income	(139,296,734)	(121,655,973)
Operating loss before working capital changes	(89,943,080)	(76,803,160)
(Increase)/decrease in inventories	(6,513,484)	2,159,296
Increase in receivables	(59,934,697)	(60,368)
Increase/(decrease) in payables	22,704,632	(4,207,505)
Deferred income	-	(347,680)
Cash used in operations	(133,686,629)	(79,259,417)
Interest paid	(2,554,800)	(249,401)
Tax refund received/(tax paid)	3,104,247	(3,004,337)
Net cash used in operating activities	(133,137,182)	(82,513,155)

CONSOLIDATED CASH FLOW STATEMENT (CONTD.)
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RM	2007 RM Restated
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(60,503,610)	(66,365,073)
Acquisition of intangible assets	(20,999,435)	(17,339,300)
Net cash outflow from disposal of a subsidiary	(10,554,722)	-
Interest received	6,755,960	4,999,383
Proceeds from disposal of property, plant and equipment	47,790	287,671
Other investments	-	189,821
Net cash used in investing activities	(85,254,017)	(78,227,498)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown bankers acceptances	14,282,631	-
Drawdown letter of credit	21,788,227	-
Development fund received	196,368,577	316,214,008
Transferred to approved project	(60,315,484)	(29,350,093)
Net cash generated from financing activities	172,123,951	286,863,915
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(46,267,248)	126,123,262
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	1,130,639	(2,036,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	267,899,523	143,813,259
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 19)	222,762,914	267,899,523

The accompanying notes form an integral part of the financial statements.

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RM	2007 RM Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(8,212,915)	(4,680,285)
Adjustments for:		
Depreciation of property, plant and equipment	19,650,485	10,016,904
Amortisation of intangible assets	5,288,372	5,879,486
Intangible assets written off	-	492,468
Interest expense	54,502	30,567
Loss on disposal of property, plant and equipment	1,026,151	2,917,786
Loss on disposal of intangible assets	167,481	-
Impairment loss on plant and equipment	-	9,419,270
Impairment loss on intangibles	-	11,021,373
Provision for doubtful debts	77,196	742,686
Loss on disposal of a subsidiary	9,999,999 -	
Impairment loss on investment in subsidiaries	1,570,832	8,142,743
Provision for retirement benefits	-	(3,162,364)
Interest income	(6,637,305)	(4,729,669)
Grant income	(139,296,734)	(121,655,973)
Operating loss before working capital changes	(116,311,936)	(85,565,008)
Increase in inventories	(1,148,267)	-
Decrease in receivables	1,732,939	7,031,129
Increase in payables	3,065,950	3,728,379
Cash used in operations	(112,661,314)	(74,805,500)
Tax refund received/(tax paid)	1,043,627	(2,000,000)
Interest paid	(54,502)	(30,567)
Net cash used in operating activities	(111,672,189)	(76,836,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(54,176,083)	(53,772,596)
Acquisition of intangible assets	(20,050,889)	(13,874,815)
Interest received	6,390,847	4,729,669
Proceeds from disposal of property, plant and equipment	47,790	-
Proceeds from disposal of a subsidiary	1	-
Net cash used in investing activities	(67,788,334)	(62,917,742)

COMPANY CASH FLOW STATEMENT (CONTD.)
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RM	2007 RM Restated
CASH FLOWS FROM FINANCING ACTIVITIES		
Development fund received from the government	196,368,577	316,214,008
Transferred to approved project	(60,315,484)	(29,350,093)
Net cash generated from financing activities	136,053,093	286,863,915
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43,407,430)	147,110,106
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	239,345,046	92,234,940
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 19)	195,937,616	239,345,046

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

1. CORPORATE INFORMATION

The principal activity of the Company is to undertake research and development in the field of information and communication technologies.

The principal activities of its subsidiaries are designing, marketing and sale of integrated circuit products, provision of management and semiconductor wafer fabrication services and trading of semiconductor wafer, and investment holding. The principal activities of its associates are disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except for the disposal of a subsidiary as disclosed in Note 9(a) to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 14, Jalan Tun Sambanthan 3, P.O Box 12019, 50764 Kuala Lumpur. The principal place of business of the Company is located at Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur.

The immediate and ultimate holding company of the Company is Minister of Finance (Incorporated) ("MOF Inc"), a body corporate which was incorporated under the Minister of Finance (Incorporation) Act, 1967.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 4 June 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted the revised FRSs, amendment to FRS and Interpretations which are mandatory for financial periods beginning on or after 1 January 2008 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2.SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation (contd.)

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in theGroup's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(b) Associates (contd.)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method, otherwise their unaudited management financial statements are used. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Property, Plant and Equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	2%
Renovations and landscaping	10%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Office equipment	20%
Computer software	20% - 33 1/3%
Computer hardware	20% - 33 1/3%

Laboratory and workshop equipment 33 1/3%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(c) Property, plant and equipment, and depreciation (contd.)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets with finite useful economic life relate to computer software and have a useful economic life ranging from 3 to 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(e) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and noncurrent assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(f) Impairment of non-financial assets (contd.)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(g) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(h) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(i) Employees benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Defined benefit plan

The Group operates a funded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(i) Employees benefits (contd.)

(iv) Defined benefit plan

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Lease income of computer software and hardware

Revenue from leasing of computer software and hardware is recognised on a straight line basis over the respective lease periods.

Leasing revenue received in advance from customers is accounted for as deferred income and is recognised over the respective lease periods.

(iii) Interest income

Interest income is recognised based on the effective yield method.

(iv) Dividend income

Dividend income is accounted for when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(k) Recognition of grants

Development grants in respect of capital expenditure receivable from the Malaysian Government are credited to the Development Fund Account. Amounts utilised are recognised in the income statements over the life of the assets acquired by the annual transfer of an amount equal to the depreciation charge.

Operating grants receivable from the Malaysian Government are credited to the Development Fund Account and recognised in the income statement in the same period as the related expenses which they are intended to compensate.

Grants receivable from the Malaysian Government in respect of investments in non depreciable assets are recognised in the income statement in the period in which it becomes receivable.

(l) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(I) Foreign currencies

(ii) Foreign currency transactions (contd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(m) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other non-current investments

Non-current investments, other than investments in subsidiaries and associates, are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(m) Financial instruments (contd.)

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(n) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, noncurrent assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with Non-current Asset Held for Sale and Discontinued Operations ("FRS 5") that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operations when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Effects arising from adoption of the revised FRSs, amendment to FRS and Interpretations

On 1 January 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and Interpretations:

FRS 111: Construction Contracts
FRS 112: Income Taxes
FRS 118: Revenue
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
FRS 134: Interim Financial Reporting
FRS 137: Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates
– Net Investment in a Foreign Operation
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6: Liabilities arising from Participating in a Specific Market
– Waste Electrical and Electronic Equipment
IC Interpretation 7: Applying the Restatement Approach under FRS 129 Financial
- Reporting in Hyperinflationary Economies
IC Interpretation 8: Scope of FRS 2

The revised FRSs, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

	Effective for financial periods beginning on or after
New FRSs and Interpretations	
FRS 7: Financial Instruments:	Disclosures 1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments:	
Recognition and Measurement	1 January 2010
IC Interpretation 9:	
Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10:	
Interim Financial Reporting and Impairment	1 January 2010

The new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS7 and FRS 139 by virtue of the provisions stipulated in FRS 7 and FRS 139.

2.5 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates And Judgments (Contd.)

(a) Critical judgments made in applying accounting policies

The judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments

The Group and the Company determines whether its investments are impaired following certain indications of impairment such as, amongst others, declining budgeted cashflows, limited funding to meet its obligations as and when they fall due, significant changes with adverse effects on the investment and deteriorating financial performance of the investment.

Depending on their nature and the principal activities in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value, sector average price-earning ratio methods and comparable recent market values of other companies with similar activities.

(ii) Income taxes and deferred tax asset

Judgment is involved in determining the Group and the Company provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The details of income taxes and deferred tax liabilities are as disclosed in Note 8 and Note 26, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates And Judgements (Contd.)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Impairment of investments**

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

Impairment review

The impairment review of those investments with indications of impairment carried out by management during the year led to the recognition of impairment loss in investments of approximately RM538,655 (2007: RM2,816,512) and RM1,570,832 (2007: RM8,142,725) for the Group and Company, respectively.

3. Revenue

	Group		Company	
	2008 RM	2007 RM Restated	2008 RM	2007 RM Restated
Sale of goods	9,821,299	10,701,613	-	-
Rendering of services	6,453,196	4,786,795	6,372,249	4,346,663
	16,274,495	15,488,408	6,372,249	4,346,663

4. COST OF SALES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
		Restated		Restated
Cost of inventories sold	6,294,190	3,178,955	-	Cost
of services rendered	4,468,819	709,454	4,468,819	686,638
	10,763,009	3,888,409	4,468,819	686,638

5. FINANCE COSTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Bank and commission charges	122,138	97,853	54,502	30,567
Other interest charges	-	59,830	-	-
	122,138	157,683	54,502	30,567

6. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax of continuing operations:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Employee benefits expense (Note 7)	63,123,143	53,234,638	59,304,696	49,461,379
Auditors' remuneration				
- statutory audit	65,000	57,623	35,000	35,000
- other services	35,690	34,978	27,960	27,960
Amortisation of intangible assets	5,288,372	5,879,486	5,288,372	5,879,486
Loss on disposal of intangible assets	-	-	-	492,468
Non-executive directors' remuneration				
- other emoluments	89,931	105,595	87,531	112,575
Depreciation of property, plant and equipment	19,889,630	11,155,892	19,650,485	10,016,904

6. (LOSS)/PROFIT BEFORE TAX (CONTD.)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Provision for doubtful debts, net	272,064	1,822,610	77,196	742,686
Bad debts written off	-	2,764,862	-	Loss
on disposal of a subsidiary	40,674,273	-	9,999,999	-
Write-down of inventories	22,349	-	-	-
Impairment loss on plant and equipment	-	9,419,270	-	9,419,270
Impairment loss on intangible assets	-	11,021,373	-	11,021,373
Impairment loss on investments in subsidiaries	-	-	1,570,832	8,142,743
Rental expenses	443,926	222,111	443,926	222,111
Lease rental of equipment	3,882,667	2,711,469	3,882,667	2,711,469
Loss on disposal of property, plant and equipment	1,026,151	2,917,786	1,026,151	2,917,786
Loss on disposal of intangible assets	167,481	-	167,481	-
Interest income - banks	(6,969,082)	(4,839,213)	(6,637,305)	(4,729,669)
Reimbursement fee income - subsidiary company	-	-	(701,433)	(817,039)
Realised net foreign exchange loss	(493,406)	(280,903)	(499,058)	(233,928)

7. Employee benefits expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Wages and salaries	44,844,728	38,030,944	41,515,709	34,028,570
Social security costs	209,229	377,046	185,070	159,205
Pension costs:				
Defined contribution plan	6,499,071	4,972,852	6,132,075	4,759,296
Other staff related expenses	11,570,115	9,853,796	11,471,842	10,514,308
	63,123,143	53,234,638	59,304,696	49,461,379

Included in the employee benefits expense of the Group and of the Company is a director's remuneration amounting to RM1,189,920 (2007: RM994,195) and RM1,189,920 (2007: RM994,195) respectively.

8. INCOME TAX

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Continuing operations				
Current income tax:				
Malaysian income tax	27,900	2,760,462	-	2,730,962
Overprovision in prior years	(470,903)	-	(470,903)	-
	(443,003)	2,760,462	(470,903)	2,730,962
Total income tax from continuing operations	(443,003)	2,760,462	(470,903)	2,730,962
Discontinued operations				
Current income tax:				
Malaysian income tax	3,421,844	43,329	-	-
(Over)/underprovision in prior years	(135)	365,952	-	-
	3,421,709	409,281	-	-
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	5,415,801	140,831	-	-
(Over)/underprovision in prior years	(1,754,203)	57,225	-	-
	3,661,598	198,056	-	-
Total income tax expense from discontinued operations	7,083,307	607,337	-	-
Total income tax	6,640,304	3,367,799	(470,903)	2,730,962

The Company was awarded Multimedia Super Corridor ("MSC") status in year 2000. For companies awarded MSC status, they are eligible for tax exemption on income derived from MSC-qualifying activities for a period of 5 years extendable to 10 years subject to them triggering these tax incentives. As of the date of this report, the Company has yet to trigger the tax incentives eligible under the MSC status. There is no income tax charge in respect of the Company for the current financial year since the Company is in a tax loss position. The income tax charge for the prior year was principally in respect of interest income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. Domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. Computation of deferred tax as at 31 December 2008 has reflected these changes.

8. INCOME TAX (CONTD.)

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2008 RM	2007 RM
Group		
(Loss)/profit before tax:		
Continuing operations	(36,019,761)	1,775,314
Discontinued operations	10,019,535	(12,267,135)
	(26,000,226)	(10,491,821)
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(6,760,059)	(2,832,792)
Grant income not subject to tax	(36,217,151)	(32,847,113)
Expenses not deductible for tax purposes	16,514,568	34,608,528
Effect on opening deferred tax of reduction in Malaysian income tax rate	208,300	-
Utilisation of previously unabsorbed capital allowances	(12,425)	(1,700)
Deferred tax assets not recognised during the year	35,132,312	4,017,699
(Over)/underprovision of deferred tax in prior years	(1,754,203)	57,225
(Over)/underprovision of income tax expense in prior years	(471,038)	365,952
Income tax for the year	6,640,304	3,367,799
Company		
Loss before tax	(8,212,915)	(4,680,285)
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(2,135,358)	(1,263,677)
Grant income not subject to tax	(36,217,151)	(32,847,113)
Expenses not deductible for tax purposes	7,942,027	32,962,548
Utilisation of previously unabsorbed capital allowances	(12,425)	-
Deferred tax assets not recognised during the year	30,422,907	3,879,204
Overprovision of income tax expense in prior years	(470,903)	-
Income tax for the year	(470,903)	2,730,962

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Disposal of a subsidiary during the year
On 31 December 2008, the Company disposed of its equity interest in a subsidiary, MIMOS Smart Computing Sdn. Bhd., to Minister of Finance (Incorporated) for a total consideration of RM1, resulting in a loss on disposal at Group and Company level of RM45,302,681 and RM9,999,999, respectively.

An analysis of the results of discontinued operation is as follows:

	Group	
	2008	**2007**
	RM	**RM**
Revenue	184,601,423	15,874,341
Other income	65,008	234,913
Expenses	(173,406,557)	(24,709,721)
Profit/(loss) before tax of discontinued operations	11,259,874	(8,600,467)
Income tax expense	(7,083,307)	(607,337)
Profit/(loss) for the year from discontinued operations	4,176,567	(9,207,804)

The following amounts have been included in arriving at profit/(loss) before tax of discontinued operation:

	Group	
	2008	**2007**
	RM	**RM**
Staff costs	6,016,429	5,328,105
Auditors' remuneration	50,000	40,000
Directors' allowances	26,000	28,950
Depreciation of property, plant and equipment	6,821,716	10,542,465
Amortisation of intangible asset	1,704,007	1,171,844
Plant and equipment written off	-	3,684,242
Rental of office premises	705,000	713,488
Provision for doubtful debts	1,446,988	146,928
Write-down of inventories	4,279,979	1,248,427
Writeback of provision for replacement cost	-	(850,000)
Provision for/(writeback of) maintenance service	1,103,203	(1,248,687)
Writeback of employee benefits	(85,049)	-
Interest expense	2,432,662	-
Bad debts written off	125,000	-
Interest income	(33,336)	(160,170)
Provision for/(writeback of) warranty	11,551	(1,408,875)

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(a) Disposal of a subsidiary during the year (contd.)

The cash flows attributed to the discontinued operation are as follows:

	Group 2008 RM	2007 RM
Operating cash flows	(19,999,170)	(7,425,794)
Investing cash flows	36,070,858	-
Financing cash flows	(7,185,601)	(13,806,175)
Total cash flows	8,886,087	(21,231,969)

The disposal had the following effects on the financial position of the Group as at the end of the year:

	2008 RM
Property, plant and equipment (Note 10)	13,461,862
Intangible assets (Note 11)	1,621,725
Inventories	4,898,317
Trade receivables	65,402,408
Other receivables	2,271,909
Cash and bank balances	10,554,723
Deferred income	(8,579,771)
Provisions for liabilities (Note 20)	(1,488,357)
Short term borrowings	(36,070,858)
Trade payables	(6,502,469)
Other payables	(3,999,994)
Tax payable	(895,221)
Net assets disposed	40,674,274
Total disposal proceeds, settled by cash	(1)
Loss on disposal to the Group	40,674,273

	2008 RM
Cash outflow arising on disposal:	
Cash consideration, representing cash inflow of the Company	1
Cash and bank balances of the subsidiary disposed	(10,554,723)
Net cash outflow of the Group	(10,554,722)

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(b) Discontinued operations and disposal group classified as held for sale during the year

The Company is in the process of disposing of its wholly-owned subsidiary, Encipta Ltd. to a third party. The disposal is expected to be completed in July or August 2009.

As at 31 December 2008, the assets and liabilities of Encipta Ltd. have been presented on the consolidated balance sheet as a disposal group held for sale and results from this subsidiary is presented separately on the consolidated income statement as discontinue operation. The carrying amount of the investment in this subsidiary has also been presented as a non-current asset held for sale on the Company's balance sheet as at 31December 2008.

An analysis of the results of discontinued operation is as follows:

	Group 2008 RM	2007 RM
Revenue	2,207,905	1,151,168
Expenses	(3,448,244)	(4,817,836)
Loss before tax of discontinued operations	(1,240,339)	(3,666,668)
Income tax expense	-	-
Loss for the year from discontinued operations	(1,240,339)	(3,666,668)

The following amounts have been included in arriving at loss before tax of discontinued operation:

	Group 2008 RM	2007 RM
Auditors' remuneration	31,982	27,090
Directors' remuneration	6,237	7,027
Provision for doubtful debts	245,284	-
Impairment loss on other investments	538,655	2,816,512
Unrealised foreign exchange losses	861,240	-

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(b) Discontinued operations and disposal group classified as held for sale during the year (contd.)

The major classes of assets and liabilities of Encipta Ltd. classified as held for sale on the consolidated balance sheet as at 31 December 2008 are as follows:

	Group Carrying amounts as at 31.12.2008 RM
Assets	
Investment in associates	12,470
Other investments	7,511,137
Cash and bank balances	16,504,882
Assets of disposal group classified as held for sale	24,028,489
Liabilities	
Other payables	268,393

The non-current asset classified as held for sale on the Company's balance sheet as at 31 December 2008 is as follows:

	Company Carrying amount as at 31.12.2008 RM
Asset	
Investment in a subsidiary	23,858,277

10. PROPERTY, PLANT AND EQUIPMENT

Included in property, plant and equipment are computer hardware of the Group with the aggregate net book value of RMNil (2007: RM15,252,818), which are on lease to external parties.

11. INTANGIBLE ASSETS

	Intellectual property RM	Computer software RM	Total RM
Group			
Cost			
	22,264,850	34,849,390	57,114,240
At 1 January 2007	-	17,339,300	17,339,300
Additions	-	(660,601)	(660,601)
Disposals	-	51,528,089	73,792,939
At 31 December 2007 and 1 January 2008	-	20,999,435	20,999,435
Additions	22,264,850	1,786,098	1,786,098
Transfer from property, plant and equipment		(1,548,821)	(1,548,821)
Disposals		(12,706,468)	(12,706,468)
Disposal of a subsidiary (Note 9(a))	22,264,850	60,058,333	82,323,183
At 31 December 2008			-
Accumulated amortisation and impairment			
losses	21,881,050	15,638,410	37,519,460
At 1 January 2007	-	7,051,330	7,051,330
Amortisation	-	11,021,373	11,021,373
Impairment	-	(164,651)	(164,651)
Disposals	21,881,050	33,546,462	55,427,512
At 31 December 2007 and 1 January 2008	-	6,992,379	6,992,379
Amortisation	-	(1,381,340)	(1,381,340)
Disposals	-	1,130,441	1,130,441
Transfer from property, plant and equipment	-	(11,084,743)	(11,084,743)
Disposal of a subsidiary (Note 9(a))	21,881,050	29,203,199	51,084,249
At 31 December 2008			
Net carrying amount			
	383,800	30,855,134	31,238,934
At 31 December 2008	383,800	17,981,627	18,365,427
At 31 December 2007			

As at 31 December 2008, included in intangible assets are computer software of the Group with the aggregate net book value of RMNil (2007: RM3,035,657), which are on lease to external parties.

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer hardware RM
At 31 December 2008				
Cost				
At 1 January	6,316,443	648,848	5,912,083	94,150,974
Additions1,313,503	-	2,749,357	9,541,920	29,384,213
Disposals(3,541,849)	-	(325,285)	(4,112,654)	(475,250)
Reclssification	-	-	182,278	-
Transfer to intangible assets	-	-	-	-
Disposal of a subsidiary (Note 9(a))	(467,155)	(137,600)	(1,306,616)	(54,316,006)
At 31 December	3,620,942	511,248	7,211,817	45,264,234

Laboratory and Workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
28,807,926	22,899,081	27,997,481	9,486,735	196,219,571
7,400,203	-	10,114,414	60,503,610	
(1,355,459)	-	-	(9,810,497)	
655,222	777,960	-	(1,615,460)	-
-	-	-	(1,786,098)	(1,786,098)
(56,228)	(555,692)	-	-	(56,839,297)
58,315,883	29,166,093	27,997,481	16,199,591	188,287,289

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group (contd.)	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer hardware RM
Accumulated depreciation and impairment				
At 1 January	4,366,500	401,623	3,702,366	56,856,381
Charge for the year (Note 6)	210,819	130,337	1,194,702	18,343,430
Disposals(3,128,910)	-	(321,134)	(4,052,487)	(140,095)
Reclassified to intangible asset	-	-	-	(1,130,441)
Disposal of a subsidiary (Note 9(a))	(313,374)	(137,600)	(950,683)	(41,429,015)
At 31 December	1,135,035	394,360	3,625,251	28,587,868
Net carrying amount				
At 31 December 2008	2,485,907	116,888	3,586,566	16,676,366

Laboratory and Workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
14,709,744	11,818,833	2,707,098	-	94,562,545
3,578,079	2,551,902	702,077	-	26,711,346
(1,093,930)	-	-	(8,736,556)	
-	-	-	-	(1,130,441)
(52,082)	(494,681)	-	-	(43,377,435)
18,095,646	12,782,124	3,409,175	-	68,029,459
40,220,237	16,383,969	24,588,306	16,199,591	120,257,830

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer hardware RM
Group				
At 31 December 2007				
Cost				
At 1 January	5,117,961	1,322,105	4,905,312	65,763,205
Additions 1,266,850	98,800	1,220,729	39,980,311	10,980,703
Disposals (68,368)	(772,057)	(213,958)	(5,104,521)	(2,199,325)
Write off -	-	-	(6,488,021)	-
At 31 December	6,316,443	648,848	5,912,083	94,150,974

Laboratory and Workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
20,026,548	15,867,565	27,997,481	3,966,567	144,966,744
7,297,512	-	5,520,168	66,365,073	
(265,996)	-	-	(8,624,225)	
-	-	-	(6,488,021)	
28,807,926	22,899,081	27,997,481	9,486,735	196,219,571

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer hardware RM
Group (contd.)				
Accumulated depreciation and impairment				
At 1 January	3,792,677	826,746	4,143,611	44,590,322
Charge for the year (Note 6)	592,935	152,590	(253,625)	16,456,419
Impairment loss	6,591	-	-	2,433,893
Disposals(25,703)	(577,713)	(187,620)	(3,820,474)	(1,218,806)
Write off -	-	-	(2,803,779)	-
At 31 December	4,366,500	401,623	3,702,366	56,856,381
Net carrying amount				
At 31 December 2007	1,949,943	247,225	2,209,717	37,294,593

Laboratory and Workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
6,460,395	10,102,373	2,326,683	-	72,242,807
2,611,354	1,758,269	380,415	-	21,698,357
6,856,801	121,985	-	-	9,419,270
(163,794)	-	-	(5,994,110)	
-	-	-	(2,803,779)	
14,709,744	11,818,833	2,707,098	-	94,562,545
14,098,182	11,080,248	-	9,486,735	101,657,026

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer hardware RM
Company				
At 31 December 2008				
At 1 January	5,563,979	795,746	4,961,636	46,983,829
Additions1,297,303	-	2,817,974	3,326,862	29,240,835
Disposals(3,541,849)	-	(325,285)	(4,112,654)	(475,250)
Reclssification	-	-	182,278	-
Transfer to intangible assets	-	-	-	-
At 31 December	3,319,433	795,746	7,636,603	46,198,037
Accumulated depreciation and impairment				
At 1 January	3,810,876	508,953	2,946,603	19,431,199
Charge for the year (Note 6)	165,569	130,337	1,159,372	11,628,888
Disposals(3,128,910)	-	(321,134)	(4,052,487)	(140,095)
At 31 December	847,535	639,290	3,784,841	27,007,600
Net carrying amount				
At 31 December 2008	2,471,898	156,456	3,851,762	19,190,437

	Laboratory and Workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
	21,232,457	21,711,375	27,997,481	3,219,281	132,465,784
	7,404,406	-	10,088,703	54,176,083	
	(1,355,459)	-	-	(9,810,497)	
	655,222	777,960	-	(1,615,460)	-
	-	-	-	(1,786,098)	(1,786,098)
	50,653,264	28,538,282	27,997,481	9,906,426	175,045,272
	9,335,839	10,858,114	2,707,099	-	49,598,683
	3,402,270	2,461,972	702,077	-	19,650,485
	(1,093,930)	-	-	(8,736,556)	
	12,598,014	12,226,156	3,409,176	-	60,512,612
	38,055,250	16,312,126	24,588,305	9,906,426	114,532,660

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer hardware RM
Company				
At 31 December 2007				
At 1 January	4,365,497	1,362,546	3,898,891	22,477,347
Additions	1,266,850	98,800	1,276,702	29,611,003
Disposals	(68,368)	(665,600)	(213,957)	(5,104,521)
At 31 December	5,563,979	795,746	4,961,636	46,983,829
Accumulated depreciation and impairment				
At 1 January	3,282,785	830,484	3,333,359	15,223,637
Charge for the year (Note 6)	547,203	149,725	(199,136)	5,594,143
Impairment loss (Note 6)	6,591	-	-	2,433,893
Disposals	(25,703)	(471,256)	(187,620)	(3,820,474)
At 31 December	3,810,876	508,953	2,946,603	19,431,199
Net carrying amount				
At 31 December 2007	1,753,103	286,793	2,015,033	27,552,630

Laboratory and Workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
12,484,483	14,911,902	27,997,481	-	87,498,147
10,947,299	7,065,469	-	3,219,281	53,485,404
(2,199,325)	(265,996)	-	-	(8,517,767)
21,232,457	21,711,375	27,997,481	3,219,281	132,465,784
1,789,430	9,263,303	2,326,684	-	36,049,682
1,908,414	1,636,140	380,415	-	10,016,904
6,856,801	121,985	-	-	9,419,270
(1,218,806)	(163,314)	-	-	(5,887,173)
9,335,839	10,858,114	2,707,099	-	49,598,683
11,896,618	10,853,261	25,290,382	3,219,281	82,867,101

11. INTANGIBLE ASSETS

	Computer software RM
Company	
At 1 January 2007	26,624,010
Additions	13,874,815
Disposals	(657,596)
At 31 December 2007 and 1 January 2008	39,841,229
Additions 20,050,889	
Transfer from property, plant and equipment	1,786,098
Disposals	(1,548,821)
At 31 December 2008	60,129,395
Accumulated amortisation and impairment losses	
At 1 January 2007	8,643,861
Amortisation (Note 6)	5,879,486
Impairment	11,021,373
Disposals	(165,128)
At 31 December 2007 and 1 January 2008	25,379,592
Amortisation (Note 6)	5,288,372
Disposals	(1,381,340)
At 31 December 2008	29,286,624
Net carrying amount	
At 31 December 2008	30,842,771
At 31 December 2007	14,461,637

12. Investments in subsidiaries

	Company	
	2008 RM	**2007 RM**
Unquoted shares, at cost	36,999,800	123,003,602
Less : Accumulated impairment losses	(29,999,752)	(80,574,443)
	7,000,048	42,429,159

12. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Principal activities	Proportion of ownership interest 2008 %	2007 %
*MIMOS Smart Computing Sdn. Bhd. sale and lease of computer hardware and software	Malaysia	Assembly for	-	100
MIMOS Semiconductor (M) Sdn. Bhd.	Malaysia	Provision of management and semiconductor wafer fabrication services and trading of semiconductor wafer	100	100
@ Encipta Ltd.	Labuan, Malaysia	Investment holding	100	100
Malaysia Microelectronic Solutions Sdn. Bhd.	Malaysia	Designing, Marketing and sale of integrated circuit products	60 #	60 #

* Subsidiary was disposed of during the financial year.

@ Classified as discontinued operation and disposal group held for sale during the current financial year

6% of the shares are vested with HSBC (Malaysia) Trustee Berhad (the "Trustee") pursuant to a Trust Deed dated 1 April 2001 entered into between the subsidiary company and the Trustee. The shares are held in trust for options granted to the subsidiary company's employees to purchase its shares.

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

On 31 December 2008, the Company disposed off its equity interest in a subsidiary, MIMOS Smart Computing Sdn. Bhd., to Minister of Finance for a total consideration of RM1.
Information relating to the disposal of MIMOS Smart Computing Sdn. Bhd. is disclosed in Note 9(a).

13. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unquoted shares:				
At cost	8,950,289	8,963,186	8,950,289	8,950,289
Share of post acquisition reserves	(2,344,643)	(5,993,461)	-	-
	6,605,646	2,969,725	8,950,289	8,950,289
Less: Accumulated impairment losses	-	-	(4,900,288)	(4,900,288)
	6,605,646	2,969,725	4,050,001	4,050,001

The financial statements of the above associates are coterminous with those of the Group.

Details of the associated companies are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest 2008 %	2007 %
Digicert Sdn. Bhd.*	Malaysia	To act as a certification authority	45	45
OICNetworks Sdn. Bhd.*	Malaysia	Dormant	49	49
Tiger Consortium Sdn. Bhd.*	Malaysia	Dormant	33.33	33.33

* Audited by firms of auditors other than Ernst & Young.

13. INVESTMENTS IN ASSOCIATES (CONTD.)

The summarised financial information of the associates are as follows:

	2008 RM	2007 RM
Assets and liabilities		
Current assets	14,290,290	7,491,616
Non-current assets	4,195,561	1,648,516
Total assets	18,485,851	9,140,132
Current liabilities	11,717,510	10,722,913
Total liabilities	11,717,510	10,722,913
Results		
Revenue	25,358,212	8,198,988
Profit for the year	8,106,296	1,711,609

14. OTHER INVESTMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unquoted shares, at cost	1,717,250	39,269,648	1,717,250	1,717,250
Less : Accumulated impairment losses	(1,717,248)	(31,580,200)	(1,717,248)	(1,717,248)
		7,689,448	2	2

Other investments represent mainly preference shares acquired in companies incorporated in various countries. These companies are mainly involved in Information Technology ("IT") related projects.

14. SHORT TERM INVESTMENTS

	Group/Company 2008 RM	Group/Company 2007 RM
Unquoted shares, at cost	40,000,000	40,000,000
Less: Accumulated impairment losses	(40,000,000)	(40,000,000)
	-	-

16. INVENTORIES

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cost				
Raw material	-	1,931,448	-	-
Work in progress	1,148,267	-	1,148,267	-
Finished goods	-	199,050	-	-
	1,148,267	2,130,498	1,148,267	-
Net realisable value				
Raw materials	31,061	2,486,411	-	-
Finished goods	1,162,122	411,702	-	-
	1,193,183	2,898,113	-	-
	2,341,450	5,028,611	1,148,267	-

15. TRADE RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivables	5,199,235	59,613,365	3,095,844	2,748,814
Less: Provision for doubtful debts	(2,226,849)	(52,583,407)	(1,956,710)	(1,879,514)
	2,972,386	7,029,958	1,139,134	869,300

The Group's normal trade credit term ranges from 30 to 60 days (2007: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis and also on the terms of the contract entered into by the Group.

In the previous year, the Group had a significant portion of trade receivables attributable to transactions with Government departments and agencies. Notwithstanding, the Group has no other significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Due from associates	2,992,689	2,992,689	2,767,689	2,992,689
Due from related companies	8,029,378 1	1,224,624	7,924,938	8,770,899
Due from the Government	2,396,915	-	2,396,915	-
Deposits	315,252	1,675,862	558,654	558,654
Prepayments	859,571	4,652,257	773,093	3,910,313
Sundry receivables	1,058,246	631,545	697,660	719,905
	15,652,051	21,176,977	15,118,949	16,952,460

The amounts due from associates and related companies are unsecured, non-interest bearing and are repayable on demand.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except for an amount due from a related company amounting to RM7,917,603 (2007: RM7,817,361).

16. CASH AND BANK BALANCES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
	33,500,120	100,725,861	31,707,534	96,686,164
Cash on hand and at banks	172,757,912	167,173,662	164,230,082	142,658,882
Deposits with licensed banks	206,258,032	267,899,523	195,937,616	239,345,046

Included in cash and bank balances of the Group and of the Company are balance of grant monies received from the Government amounting to RM116,327,447 (2007: RM153,049,729) which is restricted for use on approved capital and operational expenditure related to research and development.

The weighted average effective interest rates and average maturity of deposits at the balance sheet date are as follows:

	2008		2007	
	Weighted average interest rates % (per annum)	**Average maturity Days**	**Weighted average interest rates % (per annum)**	**Average maturity Days**
Licensed banks	3.30	90	3.40	90

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	206,258,032	267,899,523	195,937,616	239,345,046
Cash and bank balances classified as held for sale (Note 9(b))	16,504,882	-	-	-
Total cash and cash equivalents	222,762,914	267,899,523	195,937,616	239,345,046

17. **PROVISION FOR LIABILITIES**	**Maintenance service RM**	**Warranty RM**	**Employee benefits RM**	**Total RM**
	1,203,851	347,936	146,779	1,698,566
At 1 January 2008				
Additional provision	1,103,203	11,551	-	1,114,754
during the year				
Utilisation of provision	(1,214,279)	(25,635)	-	(1,239,914)
during the year	-	-	(85,049)	(85,049)
Writeback of provision	(1,092,775)	(333,852)	(61,730)	(1,488,357)
Disposal of a subsidiary	-	-	-	-
(Note 9(a))				
At 31 December 2008				
At 31 December 2008:	-	-	-	-
Current				
Non current:	-	-	-	-
Later than 5 years	-	-	-	-
At 31 December 2007	5,486,000	1,992,545	146,779	7,625,324
at 1 January 2007				
Additional provision	-	-	-	-
during the year				
Utilisation of provision	(3,033,462)	(235,738)	-	(3,269,200)
during the year	(1,248,687)	(1,408,875)	-	-(2,657,562)
Writeback of provision	1,203,851	347,932	146,779	1,698,562
At 31 December 2007				
At 31 December 2007:	1,203,851	347,932	146,779	1,698,562
Current				
Non current:	-	-	-	-
Later than 5 years	1,203,851	347,932	146,779	1,698,562

(a) Maintenance service

The former subsidiary of the Company provides for maintenance service costs for hardware and software under lease and special projects based on rates per component which have been agreed with the maintenance service provider.

(b) Warranty

The former subsidiary of the Company gives one to two year warranty on certain computer components and parts and undertakes to repair or replace items that fail to perform satisfactorily. A provision for warranty is recognised for all products under warranty at the balance sheet date based on past experience on the level of repairs and replacements.

18. PROVISION FOR LIABILITIES (CONTD.)

(c) Employee benefits

The former subsidiary of the Company provides for short term employee benefits in respect of employees' cumulative unutilised annual leave.

19. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits varying from 1.5 to 2 months of their last drawn salary, multiplied by the number of years of employment with the Company. The condition of the benefit entitlement is in accordance with benefits described in Article 7 ("Fasal 7: Faedah Persaraan"), a section within the "Syarat-syarat dan terma-terma perkhidmatan baru" issued by the Company.

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Present value of unfunded defined benefit obligations	264,420	239,893	264,420	239,893
Net liability	264,420	239,893	264,420	239,893
The amounts recognised in the income statement are as follows:				
Current service cost	24,527	-	24,527	-
Interest cost	-	-	-	-
Total, included in staff costs	24,527	-	24,527	-

Movements in the net liability in the current year were as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
At 1 January	239,893	3,402,257	239,893	3,402,257
Amounts recognised in the income statement	24,527	-	24,527	-
Net actuarial losses recognised	-	(3,162,364)	-	(3,162,364)

At 31 December	264,420	239,893	264,420	239,893

20. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

Principal actuarial assumptions used:

	2008 % per annum	2007 % per annum
Discount rate	7.0	7.0
Expected rate of salary increases	6.0	6.0

21. DEFERRED INCOME

	Group		Company	
	2008 RM	2007 RM Restated	2008 RM	2007 RM Restated
Advances from customers	-	1,115,327	-	1,081,450

Deferred income of the Company related to advances from customers in respect of a project undertaken by the Company.

Included in deferred income of the Group was deferred income of a former subsidiary amounting to RM33,877, which represented advances from customers in respect of computer hardware and software rental. These were recognised over the respective lease periods.

22. BORROWINGS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Long term borrowings				
Secured:				
Term loan	76,000,000	76,000,000	76,000,000	76,000,000
Maturity of borrowings:				
More than 2 years and less than 5 years	76,000,000	76,000,000	76,000,000	76,000,000
	76,000,000	76,000,000	76,000,000	76,000,000

The term loan represents loan received from the Government of Malaysia for the purpose of implementing a project on a foreign web venture fund pursuant to a loan facility agreement dated 27 November 2001.

22. BORROWINGS (CONTD.)

Major salient points of the loan facility agreement between the Company and the Government of Malaysia are as follows:

(i) the loan is for a tenure of 10 years.

(ii) the Government will share 20% of the profits derived from projects managed, and if a loss is incurred, the amount is fully borne by the Company.

(iii) if the Company fails to pay the outstanding amount pursuant to the loan facility agreement, a default interest of 8% per annum will be imposed by the Government on amount default from the date of defaulted to date of actual payment.

The term loan is to be secured, non-interest bearing and is repayable as follows:

(i) If the said project provides sound financial returns to the Company prior to the 6th year from the date of the first drawdown (December 2001), or prior to the redemption for cash of all or any of the redeemable preference shares, bonds, debentures and other financial instruments of the Company, whichever comes earlier, a repayment schedule will then concurrently be determined by the lender. The long term loan is repayable in instalment based on the relevant repayment dates as laid upon in the repayment schedule; or

(ii) If the said project does not provide sound financial returns to the Company prior to the 6th year from the date of the first drawdown, or prior to the redemption for cash of all or any of the redeemable preference shares, bonds, debentures and other financial instruments of the Company, whichever comes earlier, a repayment schedule will then concurrently be determined by the lender. The long term loan is repayable in one lump sum on the 10th year anniversary of the date of the first drawndown, no later than 30 calendars days from such date.

23. OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM Restated	2008 RM	2007 RM Restated
Due to related companies	10,723,828	7,206,723	-	-
Due to associates	12,470	-	-	-
Due to subsidiaries	-	-	2,067,723	1,322,400
Accruals	14,788,685	11,386,749	14,304,663	10,455,529
Other	8,446,942	6,891,344	7,772,908	7,697,645
	33,971,925	25,484,816	24,145,294	19,475,574

The amount due to subsidiaries is unsecured, non-interest bearing and repayable on demand.

24. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2008	**2007**	**2008 RM**	**2007 RM**
Authorised:				
At 1 January/31 December	150,000,000	150,000,000	150,000,000	150,000,000
Issued and fully paid-up:				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000

25. DEFERRED TAX

	Group	
	2008 RM	**2007 RM**
At 1 January	(3,661,598)	(3,859,654)
Recognised in the income statement	3,661,598	198,056
At 31 December	-	(3,661,598)
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	(7,742,551)
Deferred tax liabilities	-	4,080,953
	-	(3,661,598)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM
At 1 January 2008	4,080,953
Recognised in the income statement	(4,080,953)
At 31 December 2008	-
At 1 January 2007	4,708,258
Recognised in the income statement	(627,305)
At 31 December 2007	4,080,953

25. DEFERRED TAX (CONTD.)

Deferred tax assets of the Group:

	Other temporary differences RM	Unabsorbed capital allowances RM	Total RM
At 1 January 2008	(6,589,480)	(1,153,071)	(7,742,551)
Recognised in the income statement	6,589,480	1,153,071	7,742,551
At 31 December 2008	-	-	-
At 1 January 2007	(7,414,841)	(1,153,071)	(8,567,912)
Recognised in the income statement	825,361	-	825,361
At 31 December 2007	(6,589,480)	(1,153,071)	(7,742,551)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM
At 1 January/31 December 2008	9,186,018
At 1 January/31 December 2007	9,186,018

Deferred tax assets of the Company:

	Other temporary differences RM
At 1 January/31 December 2008	(9,186,018)
At 1 January/31 December 2007	(9,186,018)

25. DEFERRED TAX (CONTD.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unutilised tax losses	117,669,548	18,774,037	98,382,548	1,023,448
Other temporary differences	22,767,146	6,487,291	6,226,268	6,330,564
Unabsorbed capital allowances	28,566,465	8,617,554	26,337,851	6,581,474
	169,003,159	33,878,882	130,946,667	13,935,486

The unabsorbed capital allowances and unabsorbed tax losses of the Group and the Company are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

26. FUNDS ACCOUNTS

		Group/Company	
	Note	2008 RM	2007 RM
Development fund	(a)	133,859,063	103,320,719
Intensification of research in priority areas fund (IRPA)	(b)	3,986,738	3,991,030
Other funds	(d)	100,136,341	119,810,682
		237,982,142	227,122,431
Operational fund	(c)	1,530,156	15,684,644
		239,512,298	242,807,075

(a) Development fund

	Group/Company	
	2008 RM	2007 RM
At 1 January	103,320,719	112,252,797
Add : Grants received from the Government of Malaysia	95,000,000	59,953,105
Transfer from Modal Insan grant	3,439,994	-
	201,760,713	172,205,902
Less: Amortised to income statement:		
- Depreciation	(22,900,578)	(14,737,037)
- Impairment loss on assets	-	(20,440,643)
- Other expenses	(45,001,072)	(33,707,503)
At 31 December	133,859,063	103,320,719

This represents grants received from the Government of Malaysia for the purpose of the Company's development projects.

26. FUNDS ACCOUNTS (CONTD.)

(b) Intensification of research in priority areas fund (IRPA)

	Group/Company	
	2008	**2007**
	RM	**RM**
At 1 January	3,991,030	3,997,469
Less: Amortised to income statement:		
- Depreciation	(4,292)	(6,439)
At 31 December	3,986,738	3,991,030

(c) Operational fund

	Group/Company	
	2008	**2007**
	RM	**RM**
At 1 January	15,684,644	(36,070,561)
Add : Grants received from the Government of Malaysia	82,000,000	136,033,341
	97,684,644	99,962,780
Less : Funds utilised for approved project	(30,609,754)	(29,350,093)
Amortised to income statement:		
- Depreciation	(329,628)	-
- Other expenses	(65,215,106)	(54,928,043)
At 31 December	1,530,156	15,684,644

The funds utilised for approved projects mainly relate to a programme named Semiconductor Technology Programme ("STP") currently managed by the Company on behalf of the Government of Malaysia in accordance to the Corporatisation Agreement between both parties. The said agreement was signed on 27 August 2003. Accordingly, all acquisitions required by the programme are purchased on behalf by the Company.

(d) Other funds

	Group/Company	
	2008	**2007**
	RM	**RM**
At 1 January	119,810,682	3,040,000
Add : Grants received from the Government of Malaysia	19,368,577	120,227,562
	139,179,259	123,267,562
Less : Transfer to development fund	(3,439,994)	-
Funds utilised for approved project	(29,705,730)	-
Amortised to income statement:		
- Other expenses	(5,897,194)	(3,456,880)
At 31 December	100,136,341	119,810,682

This represents funds received from the Government of Malaysia for research purposes.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Purchase from a former subsidiary company	-	-	1,782,790	908,034
Lease of computers from a former subsidiary company	-	-	1,861,172	1,135,918
Purchases from a shareholder of a subsidiary company, Integrated Silicon Solution Incorporated	-		1,977,575	-
Management fees payable to a subsidiary company	-	-	701,433	817,039

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Compensation of key management personnel

Key management personnel is defined as those having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all directors of the Group and the Company and certain members of senior management of the Group and the Company.

The Group and the Company regards the following to be the senior management of the Group and the Company:

(i) Senior Vice President of Technology, Realisation and Operations;
(ii) Vice President of Software Development and Central Engineering;
(iii) Vice President of Corporate Human Resource; and
(iv) Chief Financial Officer.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

(b) Compensation of key management personnel (contd.)

The remuneration of directors and other members of key management during the year is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Executive director's				
remuneration				
- salaries and short-term				
benefits	1,062,000	884,695	1,062,000	884,695
- defined contribution plan	127,920	109,500	127,920	109,500
Non-executive directors'				
allowances	89,931	105,595	87,531	112,575
Other key management				
personnel:				
- salaries and short-term				
benefits	1,346,539	1,009,545	1,346,539	1,009,545
- defined contribution plan	147,672	141,636	147,672	141,636
	2,774,062	2,250,971	2,771,662	2,257,951

29. Capital commitments

	Group/Company	
	2008	**2007**
	RM	**RM**
(a) Capital expenditure		
Approved but not contracted for	16,041,756	3,239,694

(b) The Group have entered into non-cancellable lease agreements which resulted in the following lease commitments:

	Group/Company	
	2008	**2007**
	RM	**RM**
Amounts payable within:		
1 year after balance sheet date	1,469,416	3,901,745
More than 1 year but not later than 5 years	3,743,613	6,113,724
	5,213,029	10,015,469

28. CAPITAL COMMITMENTS (CONTD.)

The Company occupies land and buildings owned by the Government of Malaysia at a nominal lease rental of RM10,000 per annum for a period of 55 years based on the Corporatisation Agreement dated 27 August 2003 between the Government of Malaysia and MIMOS Berhad commencing from November 2001 to October 2056.

The Company has entered into a non-cancellable operating lease agreement for the provision of IT routers for the use of its research and development activities with lease period between 3 to 5 years.

29. CONTINGENT ASSET

On 14 August 2006, a subsidiary disposed off an investment for a total consideration of approximately RM10.9 million of which RM9.2 million was received during the same year. The balance of RM1.7 million is currently kept in an escrow fund account to compensate for any indemnified parties to the disposal. These monies shall be released to the subsidiary if no claim is made for up to a period of 18 months.

On 18 March 2008, upon the lapsed of the 18 months period mentioned above, the monies including interest was fully received by the subsidiary with no claims made by any other parties.

30. SIGNIFICANT EVENT

On 31 December 2008, the Company disposed of its equity interest in a subsidiary, MIMOS Smart Computing Sdn. Bhd., to Minister of Finance (Incorporated) for a total consideration of RM1. Information relating to the disposal of MIMOS Smart Computing Sdn. Bhd. is disclosed in Note 9(a).

31. PRIOR YEAR ADJUSTMENTS

The Group and the Company restated the opening balances of accumulated losses and other payables of the current year to recognise the following:

(a) effect of derecognising expenses relating to certain projects which have been undertaken by the Company on behalf of the Government; and

(b) effect of over-recognition of revenue relating to a project undertaken by the Company in prior year.

The effects on accumulated losses and net loss for the year are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
(i) Effect on accumulated losses:				
At 1 January, as previously stated	(9,869,542)	2,929,853	(39,805,738)	(32,199,421)
Effect of prior year adjustments as stated in				
- Note 32(a)	1,276,520	-	1,276,520	-
- Note 32(b)	(1,081,450)	-	(1,081,450)	-
At 1 January, as restated	(9,674,472)	2,929,853	(39,610,668)	(32,199,421)
(ii) Effect on net loss for the year:				
Net loss before prior year adjustment	(32,640,530)	(14,054,690)	(7,742,012)	(7,606,317)
Effect of prior year adjustments as stated in				
- Note 32(a)	-	1,276,520	-	1,276,520
- Note 32(b)	-	(1,081,450)	-	(1,081,450)
Net loss for the year	(32,640,530)	(13,859,620)	(7,742,012)	(7,411,247)

32. PRIOR YEAR ADJUSTMENTS (CONTD.)

Comparatives of the Group and of the Company as at 31 December 2007 have been restated as follows:

	As previously stated RM	Adjustment RM	As restated RM
Group			
Other payables	15,536,712	(1,276,520)	14,260,192
Deferred income	33,877	1,081,450	1,115,327
Company			
Other payables	20,752,094	(1,276,520)	19,475,574
Deferred income	-	1,081,450	1,081,450

33. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that:

(i) certain comparative amounts have been reclassified to correct certain prior period balances which had been wrongly eliminated on consolidation.

	As previously stated RM	Reclassification RM	As restated RM
Balance sheet			
Other receivables	9,952,353	11,224,624	21,176,977
Other payables	15,536,712	11,224,624	26,761,336

(ii) certain comparative amounts have been re-presented as discontinued operations in accordance with paragraph 34 of FRS 5.

34. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest bearing assets as at 31 December 2008. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have mostly placed in fixed deposits.

(c) Foreign exchange risk

The Group is exposed to United States Dollar and Japanese Yen. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures. Exposures to foreign currency risks are monitored on an ongoing basis.

The Group does not enter into forward contracts to hedge foreign exchange risk and foreign exchange exposures in transactional currencies are kept to an acceptable level.

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(e) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via management reporting procedures.

The Group has no significant concentration of credit risk with any single counterparty except as disclosed in Note 17 and Note 18.

34. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair values

The carrying amounts of financial assets and liabilities of the Group at balance sheet date approximate their fair values.

It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.