MIMOS

Annual Report **2010**

Building an **Innovation** Ecosystem

Building an **Innovation** Ecosystem

As a national R&D centre in ICT, MIMOS fosters relationships and collaborations; establishing linkages between talents, ideas, knowledge, motivations, aspirations, strategies and outcomes; redefining boundaries and reshaping lives in the process. As a focal point of the ecosystem, we nurture these inter-related factors and monitor how their relationships evolve over time. We sense and respond to shifts in markets and competitions; evaluate demands, and assess the impact of changing policies and global trends.

As we do that, we keep building richer content and generate greater value by attracting new knowledge into the ecosystem; increasing interactions and aligning partners to allow innovation to thrive. This results in greater outward orientation and awareness for more open collaborative innovation to take hold. We welcome resourceful partners aboard this exciting ecosystem so together we can brave new challenges and bring about more breakthrough innovation as we continue to drive Malaysia's competitiveness.

CONTENTS

Vision and Mission	4
Shared Values	5
SATRIA1 – Leadership Core Values	6
Corporate Information	8
Organisation Structure	8
Corporate Structure	8
Board of Directors	10
Senior Leadership Team	12
Foreword by the Minister	14
Message from the Chairman	16
Message from the President and CEO	18
Leading Innovation in Emerging Technologies	22
Building an Innovation Ecosystem	24
MIMOS Report Card 2010	26
Putting Malaysia on the World Broadband Map	28
Human Resource Management	30
Corporate Social Responsibility	31
Corporate Diary	32
2010 Highlights	36
FINANCIAL REPORT	39

MIMOS is a strategic agency under the purview of the Ministry of Science, Technology and Innovation; responsible in driving Malaysia's economic competitiveness by developing innovations through applied research and development (R&D) in Information and Communication Technology (ICT). The organisation plays an active role in developing globally-competitive homegrown industries by generating new technology ventures through the transfer of its technology platforms to local technology recipient companies. In this endeavour, MIMOS establishes smart partnerships and collaborations with universities, research institutions, the Government as well as companies local and abroad.

VISION

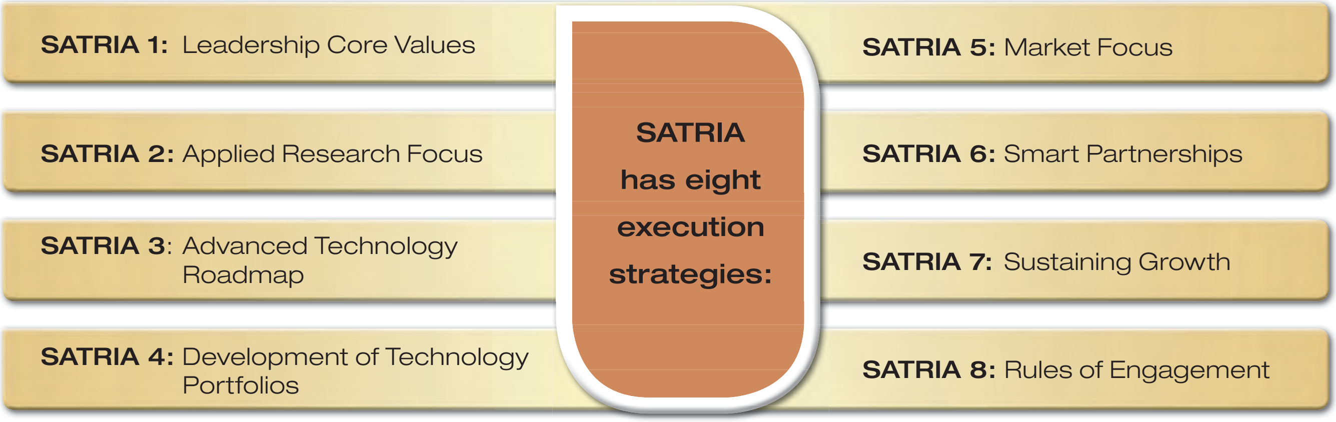
To be a premier applied research centre in frontier technologies.

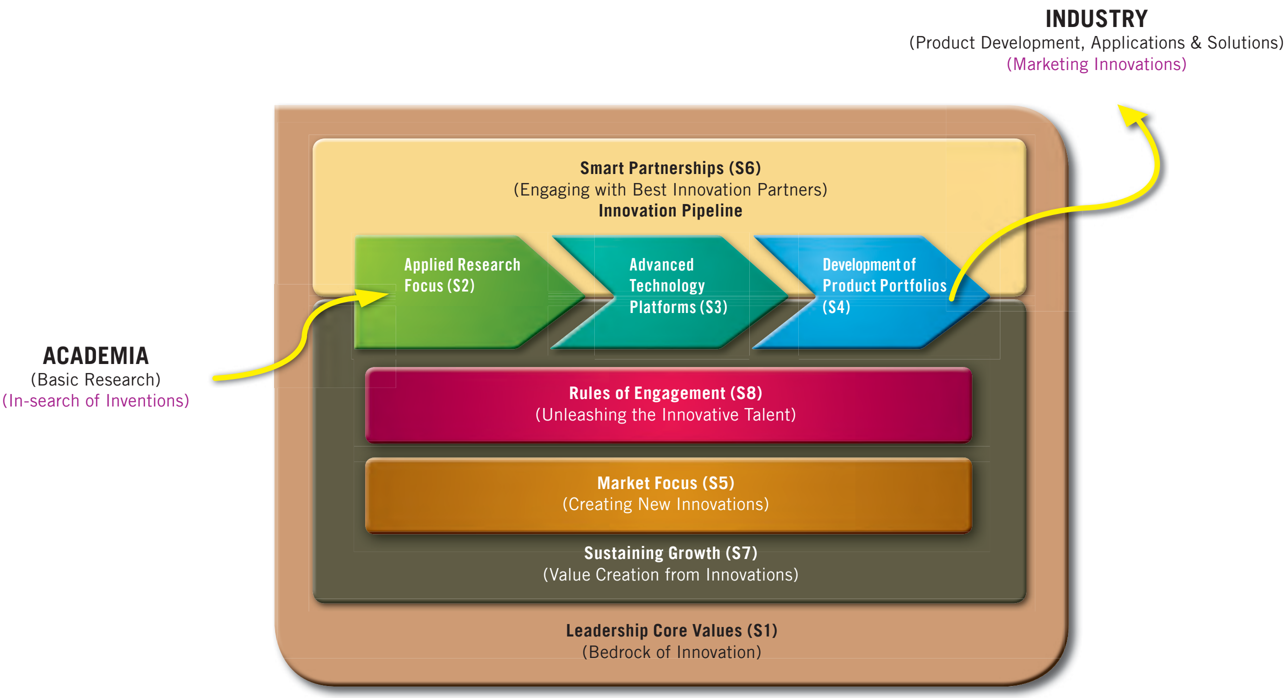
MISSION

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

SHARED VALUES

Since 2006, MIMOS has adopted a set of execution strategies aimed at achieving the organisation's vision. The set of eight execution strategies, known internally as "Strategic Adaptive Tools Realised for Innovation Acceleration" (SATRIA), stresses on the mental warrior approach needed for successful organisational transformation.





Using SATRIA to power innovation at MIMOS

SATRIA1 LEADERSHIP CORE VALUES

Of the eight execution strategies, SATRIA1 - Leadership Core Values is deemed fundamental to the successful implementation of the remaining seven strategies. SATRIA1 centres on inculcating a shared set of values targeted at moulding the mental attitude of MIMOSians and to unleash their creative and innovative potentials.

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 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 customer needs in a manner that provides satisfaction for the customer with available resources.

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.

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:
Technology Park Malaysia,
Bukit Jalil
57000 Kuala Lumpur
Tel: 603-8995 5102
Fax: 603-8991 4358

Principal Office:
Technology Park Malaysia,
Bukit Jalil, 57000 Kuala Lumpur
Tel: 603-8995 5000
Fax: 603-8996 2755

Branch Office:
MIMOS Berhad, Lot 2/3,
Fasa 1 Kulim Hi-Tech Park
09000 Kulim, Kedah Darul Aman
Tel: 604-427 3000
Fax: 604-403 3815

Auditors:
Ernst & Young (AF 0039)

ORGANISATION STRUCTURE

President & CEO

Software Development & Central Engineering

Technology Realisation & Operations

Technology Strategy & Planning

Corporate Human Resource

Corporate Services

Knowledge Management Centre

- Advanced Analysis & Modelling
- Advanced Informatics
- Green Technology
- Grid Computing
- Information Security
- Knowledge Technology
- Microsystems & MEMS
- Nanoelectronics
- Wireless Communications

CORPORATE STRUCTURE

MIMOS Berhad

(Company No: 336183-H)

Date of Incorporation: 16/03/1995

Nature of business: Undertake research and development in the field of information and communication technologies

Status: Active

OICNetworks Sdn Bhd

(Company No: 512128-P)

Date of Incorporation: 21/04/2000

Equity Interest: 49%

Status: Dormant

MIMOS Semiconductor (M) Sdn Bhd

(Company No: 498484-V)

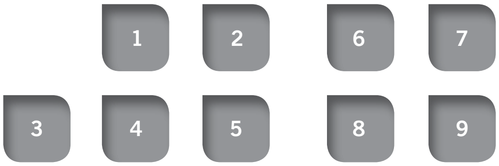
Date of Incorporation: 10/11/1999

Equity Interest: 100%

Nature of business: Provision of management and semiconductor wafer fabrication services and also trading of semiconductor wafers.

Status: Dormant with effect from 1 March, 2009

BOARD OF ***DIRECTORS***



1. **Dato' Suriah Abd Rahman**
   Independent Non-Executive Chairman

2. **Datuk Abdul Wahab Abdullah**
   President and Chief Executive Officer

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

4. **Gho Peng Seng**
   Non-Independent Non-Executive Director

5. **Mohamed Rashdi Mohamed Ghazalli**
   Independent Non-Executive Director

6. **Abdul Rahim Abdul Hamid**
   Independent Non-Executive Director

7. **Datu Dr Hatta Solhi**
   Independent Non-Executive Director

8. **Datuk John Maluda**
   Independent Non-Executive Director

9. **Dato' Dr Sharifah Zarah Syed Ahmad**
   (Alternate Director to Prof. Datin Paduka Dr. Khatijah Mohamad Yusoff)

1. **Datuk Abdul Wahab Abdullah**
   President & Chief Executive Officer

2. **Abd Aziz Abd Kadir**
   Chief Operation Officer

3. **Thillai Raj Ramanathan**
   Chief Technology Officer

4. **Dr Chandran Elamvazuthi**
   Senior Director, Technology Strategy & Planning

5. **Prof Dr Masuri Othman**
   Head, Microsystems and MEMS Cluster (until June 2011)

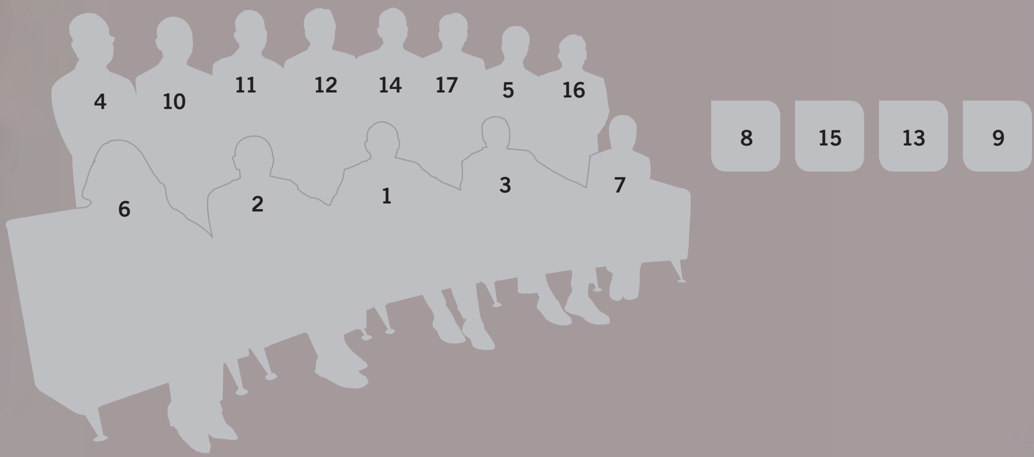
6. **Jun Maria Tan Abdullah**
   Vice President, Corporate Human Resources

7. **Emelia Matrahah**
   Vice President, Corporate Services

8. **Prof Dr Mohamed Ridza Wahiddin**
   Chief Research Director
   Advanced Information Security Cluster (until June 2011)

9. **Dr Dickson Lukose**
   Head, Knowledge Technology Cluster

SENIOR LEADERSHIP TEAM



10. **Dr Mazlan Abbas**
    Senior Director and Head, Wireless Communications Cluster

11. **Ahmad Helmi Abdul Halim**
    Senior Director, Corporate Strategy

12. **Mohd Ali Mustafa**
    Vice President, Product Development and System Integration

13. **Chen Woon Wee**
    Senior Director, Software Development Operation MIMOS Kulim Hi-Tech Park

14. **Faisal Ahmad**
    Director, Market & Product Realisation

15. **Nagendran Perumal**
    Senior Director, Software Development Operation

16. **Saat Shukri Embong**
    Director, MEMS/NEMS & Nanoelectronics (with effect from July 2011)

17. **Zahid Abd Rahman**
    Senior Director, Technology Operations

FOREWORD BY THE MINISTER

The new global currencies for the 21st century are now human capital development and innovation. In 2010, Malaysia commemorated the Year of Innovation, in which we celebrated creativity, encouraged the culture of innovation and embraced innovation as the way to go toward a high-income economy. In declaring 2010 as the Year of Innovation, the Prime Minister had said that for innovation to flourish, the environment in which one innovates had to be optimal. We need to pool knowledge, bridge gaps, identify partners, explore opportunities and dismantle stumbling blocks so that a most favourable network that promotes innovation can be formed. This is more so against the backdrop of a connected world where communication is becoming faster by the day and competition, stiffer than ever.

“The smart partnerships that MIMOS has fostered are in line with Malaysia’s New Economic Model announced by the Prime Minister in March 2010, and will certainly lead the way in driving R&D&C in ICT towards generating innovation.”

Asia has been witnessing an increase in investment potential and confidence. To capitalise on this shift and give it a competitive edge, we need to focus on developing our human capital even further and encourage innovation. MIMOS through its industrial training programme nurtured upcoming talents, particularly those who are creative, highly organised and systematic, similar to those seen in high-technology multinational firms.

The long and arduous journey towards becoming an innovation-led economy does not have to be travelled unaccompanied. Malaysia’s emphasis on innovation also focused on intensifying Research, Development and Commercialisation through the formation of collaborative partnerships. It should comprise research institutions, universities, the industry, the government, partners, regulatory agencies, and all relevant stakeholders. This ecosystem then becomes a networked cooperative – the more participants and the higher their contributions, the greater the value. A collaborative advantage of a vibrant innovation ecosystem is that it can respond swiftly to shifts in market demands, which in turn will accelerate the transformation of creative ideas into commercialisable innovations. At the same time, the effective collaborations and smart partnerships between the public and private sector will lead to improved growth and research productivity.

I am pleased to see that in 2010, MIMOS has displayed significant achievements in building and supporting an efficient ecosystem for the country in tandem with MOSTI’s vision and the nation’s aspirations. The smart partnerships that MIMOS has fostered are in line with Malaysia’s New Economic Model announced by the Prime Minister in March 2010, and will certainly lead the way in driving R&D&C in ICT towards generating innovation. MIMOS is already seeing the outcomes from these smart partnerships through technology platforms, products and solutions that will definitely spur further growth of the local industries in Malaysia.

We must be mindful that only a seamless, sustainable and highly-evolved innovation ecosystem would be able to propel the country forward and improve the quality of life of its people in line with the national maxim of 1Malaysia: People First, Performance Now. I trust that MIMOS, with its steadfast commitment and continued efforts in producing innovative technology platforms, will continue to expand and nurture the ecosystem to deliver the desired results to meet the ever-growing market demands.

Thank you and God bless.

Datuk Seri Panglima Dr Maximus Johnity Ongkili
Minister of Science, Technology and Innovation

"With 18 technology platforms, 23 products and 23 technology recipient companies in five market verticals secured by MIMOS at the end of 2010, I daresay that the MIMOS innovation ecosystem has hit the home run."

Dato' Suriah Abdul Rahman

MESSAGE *FROM THE CHAIRMAN*

MIMOS had a noteworthy journey along the Ninth Malaysia Plan and closed 2010 with an impressive performance – settled our Intellectual property target and succeeded in the creation of an innovation funnel to push Malaysia's ICT industry to the global market.

Along the way, we built a thriving innovation ecosystem that would serve as a vital source of national revenue and economic growth for the country. With 18 technology platforms, 23 products and 23 technology recipient companies in five market verticals secured by MIMOS at the end of 2010, I daresay that the MIMOS innovation ecosystem has hit the home run.

In order to develop an industry that is strong and dynamic, Malaysia needs to build an efficient ecosystem that can translate R&D programmes into innovations that can be commercialised and developed into a competitive industry, not just locally but also in the global arena. The ecosystem must encompass not only ideas and knowledge input but also all relevant factors and stakeholders that focus on value creation. It must exist as more than just "overlapping circles" but as a rewarding environment and an effective community where academic researchers, private sector scientists and engineers, investors, policymakers and other constituents all play a role in driving innovation and the country's competitiveness. As a strategic agency of MOSTI, MIMOS has successfully positioned itself as a successful focal point of this innovation ecosystem.

In developing this ecosystem, we must also ensure that all single actors are the best in their fields, and always keep in mind that one member's strength contributes to the dynamism of the whole ecosystem, and vice-versa. I am happy to note that we have the right people with the right commitment – at MIMOS, in the academia, the industry and the government – to lead this synergistic and rewarding community.

The diversity of our ecosystem is its greatest strength, allowing each party to focus on its own forte, at the same time explore the relationships, interactions and integration among human and technologies, enhancing our intellectual merit and human values. Altogether, and even when work is still in progress, this presents great opportunities, challenges and rewards.

In parting, allow me to take this opportunity to thank MOSTI for their support and guidance; the members of the MIMOS Board of Directors for their meticulous supervision and kind encouragement; and the Senior Leadership for their excellent command of the MIMOS team. Last but not least, I thank all MIMOSians for their hard work and dedication to make it all happen.

Dato' Suriah Abdul Rahman
Chairman, MIMOS Berhad

MESSAGE *FROM THE PRESIDENT & CEO*

Building an Innovation Ecosystem

It gives me great pleasure to report on MIMOS' progress in 2010, which culminates with our success in creating a business market funnel of innovations worth RM1.092 billion for commercialisation by Malaysian companies. We surpassed the RM1 billion target that we set at the beginning of the year – a clear sign that we are on the right track towards aligning MIMOS to what it is expected to do. The successful creation of the funnel of innovations also means that the transformation journey that we had embarked on since 1 July 2006 has come to fruition.

In essence, 2010 has been a year for building the innovation ecosystem at MIMOS. The collaborations and smart partnerships that we have fostered throughout the year are indeed major milestones in our journey that will significantly contribute to our long-term goals of pushing local ICT industries to the global market.

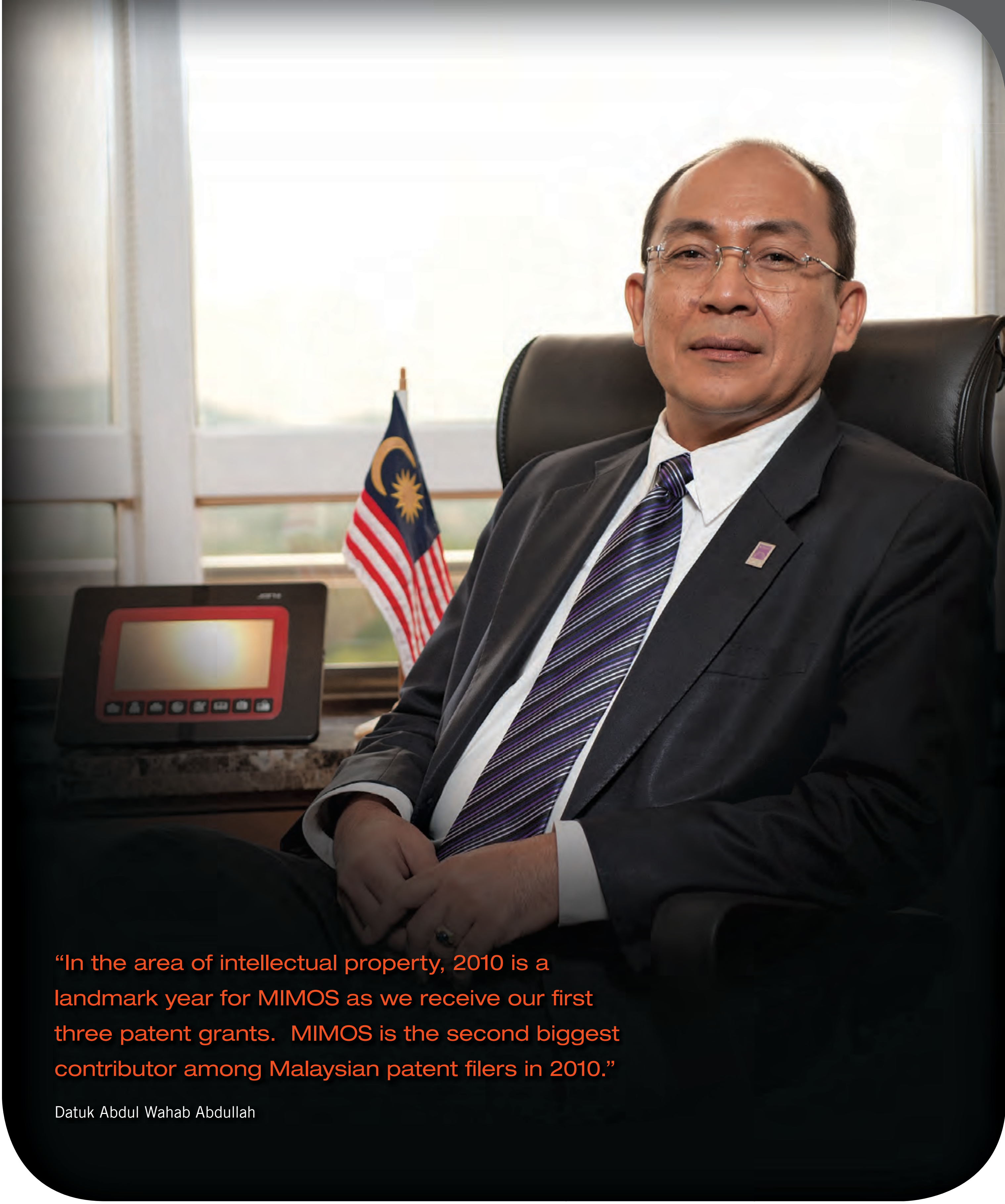
In 2010 our R&D activities have been stronger than the previous years' owing to significant contributions from each member of the ecosystem; applied research from universities – that base their research on our technology platforms, solid input from the industry, as well as creativity and innovativeness of our own team of researchers, scientists and engineers. The result of this diverse and robust innovation ecosystem is value creation through commercialisable products, solutions and technology platforms, which are critical components of building the innovation ecosystem.

The tie-ups that MIMOS has established in 2010 involve various local and international institutions and organisations encompassing several key areas including Wireless Communications, Knowledge Technology, Information Security, Artificial Intelligence, Advanced Computing and Microelectronics. Apart from these collaborations, we also sealed Technology Licensing Agreements with five Technology Recipient companies.

In keeping with our mission of growing globally-competitive homegrown industries, we always ensure that we do not only take on the big players to be our Technology Recipients but also facilitate market entry for start-up entrepreneurs. The Technology Recipients will market our iDOLA, NetAccess, NetTablet, iSDP, iLMS and MSCAN, among other MIMOS technology platforms. I'm proud to say that some of the companies have already made inroads into local and international markets.

Our collaborations with industry partners help us in shifting our focus towards front-end activities to move up the value chain, produce higher value-added products and solutions which in turn will create room for investment growth for the country. In addition, the collaborations are expected to result in more talent researchers, scientists and engineers.

By virtue of the fact that our innovation ecosystem includes international partners, and that our technologies have entered global market, we can safely



"In the area of intellectual property, 2010 is a landmark year for MIMOS as we receive our first three patent grants. MIMOS is the second biggest contributor among Malaysian patent filers in 2010."

Datuk Abdul Wahab Abdullah

Wrapping up 2010 with notable results at the end of the Ninth Malaysia Plan, I must mention that it has been a great pleasure and privilege to work with the very dedicated, passionate and creative staff across the various research and support areas.

say that MIMOS is virtually contributing to the global scientific knowledge base, extending our innovation ecosystem far beyond the boundaries of this country.

Nurturing innovation in the education system

MIMOS is cognisant of the need for students of higher learning institutions to equip themselves with the necessary skills and resources to pursue entrepreneurial endeavours, which is essential in building an effective innovation ecosystem. In support of the government's call for encouraging innovation in the education system, MIMOS plays its role by nurturing the innovation ecosystem in universities.

The setting up of MIMOS-Universiti Teknologi Malaysia Centre of Excellence in Telecommunication Technology is one important step towards this end, adding to our list of Centres of Excellence (CoE) with universities throughout the country. With telecommunications being not only one of the most crucial but also a very lucrative technology today, this CoE will serve as a vital centre for identifying and solving wireless communications challenges that will enable Malaysia to be a ubiquitous network society and at par with the industrialised economies of the world.

In November, we celebrated the graduation of the first batch of our Centre of Domain Expertise Acceleration (CODE8), which is a programme designed to enhance employability in the ICT sector. The graduation saw 50 graduates in various domain competencies within the ICT sector – all of whom have by now successfully received employment, with about 85 percent of the apprentices successfully placed in high-technology and high-income jobs at MIMOS as well as other local and multinational companies even before the end of the 12-month programme. I am happy to note that the CODE8 programme has successfully bridged the competency gaps between current and future business needs.

With CODE8, the MIMOS innovation ecosystem addresses the dry talent market syndrome by having the academia and industry work hand-in-hand to ensure employment for outstanding Malaysian graduates. Based on the success of the pilot programme, CODE8 will soon be rolled out by Penang-based training provider Penang Skills Development Centre (PSPC) in partnership with multinational companies based in the Northern Zone such as Motorola, Agilent and Altera.

Substantiating our commitment with Intellectual Properties

In the area of intellectual property, 2010 is a landmark year for MIMOS as we received our first three patent grants. MIMOS is the second biggest contributor among Malaysian patent filers in 2010. At the global level, MIMOS contributes 135 or 40.4 percent to Malaysia's total filed applications at the Patent Cooperation Treaty (PCT), positioning the country at the 25th global ranking. For the record, in 2009 Malaysia was ranked 30th while in 2008 we were at the 33rd spot). MIMOS is also the only Malaysian applicant in the top 500 PCT applicant list in 2010.

We achieved our target of 1001 patent disclosures, of which 14 percent were commercialised. While the number of patent applications filed truthfully reflects MIMOS' commitment and investment in R&D, it is pertinent to note that the aim of filing patents is never to chase numbers, but to file patents that add blocks to the innovation ecosystem that MIMOS is building.

Recognitions

In 2010 MIMOS' achievements in innovation are recognised with a number of prestigious awards at national and international levels. At international level, we received the prestigious Red Dot award for Best Design Concept, while back home we bagged two gold and three silver awards at the International Invention, Innovation and Technology Exhibition (ITEX) 2010 and three Malaysian Good Design Mark Awards 2010. Apart from that, we received the Silver Award at the Malaysian Society for Occupational Safety and Health (MSOSH).

Appreciation

Wrapping up 2010 with notable results at the end of Ninth Malaysia Plan, I must mention that it has been a great pleasure and privilege to work with the very dedicated, passionate and creative staff across the various research and support areas. I would like to congratulate and thank the MIMOS Board of Directors, the Senior Leadership Team and all MIMOSians for the great teamwork and outstanding contributions. Each and every one of you has contributed immensely towards bringing this organisation to new heights.

Finally I, would also like to take this opportunity to express my gratitude to MOSTI for their unremitting support and wise leadership throughout the year. The vibrant ecosystem that MIMOS has built throughout 2010 has markedly supported the Government's continuous efforts in driving the nation's competitiveness. For the Tenth Malaysia Plan (2011-2015), we will intensify our efforts in enhancing the capacity of ICT in tangent with the demands, needs and current development of the country and beyond.

God-willing, the ultimate result of this wonderful ecosystem will be life-changing technologies and an innovation-led economy for Malaysia.

Thank you.

Datuk Abdul Wahab Abdullah
President & CEO, MIMOS Berhad

LEADING INNOVATION IN EMERGING TECHNOLOGIES

True to the dictum "Innovation for Life", MIMOS believes that the key to its success lies in developing real-world, practical solutions. MIMOS focuses on market-driven R&D to deliver technologies that create value and can be commercialised for sustained growth.

In 2010, MIMOS' R&D focused on nine technology thrust areas:

Advanced Analysis and Modelling (ADAM)

The Mathematical Modelling Lab within ADAM cluster develops and analyses mathematical models and computer simulations of research problems challenging the various MIMOS research thrust areas. The lab works in a collaborative mode with mathematicians across the world on problems of extreme challenge. ADAM also encompasses the Psychometrics Lab, which carries out research related to the theories and techniques of educational and psychological measurement; and the Cryptography Lab, which explores cryptographic algorithms, schemes and protocols as frontier research; as well as provides consultancy on real-world cryptographic-related information security issues.

Advanced Informatics

MIMOS Advanced Informatics Centre undertakes R&D activities in innovative techniques related to the processing and representation of information. By understanding informational phenomena – such as through computation, cognition and communication; technological advances in informatics can be created. The ultimate goal is to develop innovative engines, software libraries and modules for the assembly of commercial applications in intelligent surveillance, biometrics, resource management, pattern recognition, imaging and complex systems.

Green Technology

MIMOS Green Technology cluster aims to be a leading-edge research & development centre for green technology. The cluster conducts advanced research and design mainly in environmental conservation and green eco-system management for conservation of the environment as well as to sustain depleting natural resources.

Grid Computing

MIMOS Grid Computing cluster spearheads R&D activities in large-scale computing. The cluster spearheads 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 high performance computing resources to accelerate research and industrial development for national wealth and value creation. The cluster aims to transform computing and ICT capabilities into the next utility service for the country.

Information Security

MIMOS Information Security Cluster aims to develop homegrown technologies in cyber security which will provide the country with a computing environment and information infrastructure that are self-sufficient, highly secure and capable of safeguarding the country's critical information and maintain its e-sovereignty. Major R&D activities are focused on Trusted Computing Group (TCG) specifications, with ongoing research on Trusted Platform Module (TPM), Virtual TPM and Software TPM modules as well as trusted infrastructure and trusted platform for pervasive computing.

Knowledge Technology

The MIMOS Knowledge Technology Cluster focuses on R&D activities in Semantic Web and Semantic Technologies for the purpose of developing the Semantic Technology Platform and deploying Intelligent Software Applications. Adopting the principles and best practices of advanced Knowledge Management, Knowledge Modelling and Knowledge Engineering, the MIMOS Intelligent Applications are developed in various sectors, including Agriculture, Health and Medical Education, Economics, Islamic Finance, Government, and Education.

MIMOS Microsystems & MEMS

The 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 microsensor 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 farming.

Nanoelectronics

Nanotechnology offers exciting innovations in eco-friendly technologies by providing better responses, higher sensitivity, lower power, lighter weight, robustness and cost effectiveness to devices and systems at nanoscale applications. Current research activities include nanomaterials growth, fabrication of nanostructures, preparation of nanoparticles and nanocomposites, as well as characterisation, testing and integration of innovative nanomaterials and nanostructures in MEMS and NEMS. The cluster focuses on exploring the use of functionalised nanomaterials and various options of nanostructures in our sensors, and energy harvesters and storage.

Wireless Communications

The MIMOS Wireless Communications Cluster aims to realise the vision of "Ubiquitous Network Society" in Malaysia and the whole world. R&D activities are focused on the areas of networking, mobile computing infrastructure and solutions, with an emphasis on designing, implementing, and evaluating new network systems, protocols and applications. The current main focus of R&D is divided into four main technologies: Mesh Network, Cognitive Radio, Internet of Things and Dynamic Mobile Cloud.

BUILDING AN *INNOVATION ECOSYSTEM*

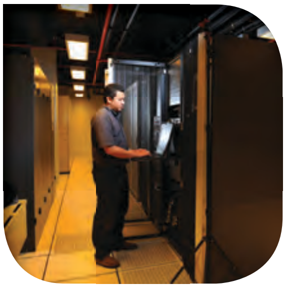
Innovation is a process that begins with ideas, which are transformed into useful commercial and social outcomes. The transformation process can only be successful with active teamwork involving dedicated partners, policy makers, relevant government agencies, suppliers and domain experts from universities and the industry. MIMOS believes that this cooperation – which forms the innovation ecosystem, must be robust, encompass all relevant factors and focus on customer value creation.

A healthy innovation ecosystem speeds up the input and infusion of ideas; resulting in savings in time and other resources, leading to improved productivity. Ultimately, these are the key factors for competitiveness that will play a critical role in transitioning Malaysia towards a high-income, market-driven and knowledge-driven economic powerhouse.

The MIMOS innovation ecosystems follows the 80:20 rule, where all research labs strive to achieve MIMOS organisational goals through engagement with universities and other research institutions. With 80 percent of R&D strengths tapped from talents in universities and industry, MIMOS takes on the Applied Research role by adopting the scientific discoveries made. Technology components developed in the Applied Research stage are subsequently picked up for the Advanced Technology stage. Finally, technology platforms generated are adopted in the development of products.

For the past four years, MIMOS has fostered collaborations with various multinational corporations and universities in establishing Centres of Excellence (COE) in various research areas. The COEs will not only serve as MIMOS' virtual labs but will also be technology reference centres for respective industries.

By supporting an innovation ecosystem through partnerships and collaborations with multinational corporations, research institutions; both local and abroad, universities as well as with local industries, MIMOS contributes to the government's aspiration of Malaysia becoming a net exporter of ICT products by 2020.



The ecosystem that MIMOS creates allows innovators in the industry and academia to work together on various technology platforms to come up with commercialisable products and solutions, paving the way for Malaysian companies and technopreneurs to go global.

MIMOS REPORT CARD 2010

Results at a glance

Technology Transfer

- Sealed Technology Licensing Agreement with five companies as MIMOS Technology Recipients, some of which have already made inroads into local and international markets.
  1. Mutiara Smart Computing Sdn Bhd (iDOLA trademark)
  2. Biforst Technology Sdn Bhd (I2P 2.0, eKMS, Mi-Office, Grid 4.1)
  3. TPM IT (iDOLA trademark)
  4. Perfisio Solutions Sdn Bhd (iLMS 1.0 & STP3.0)
  5. Inforence Sdn Bhd (MSCAN & STP3.0)
- Created a business market funnel of innovations worth RM1.092 billion for commercialisation by Malaysian companies.

Intellectual Property

- Three of MIMOS' patents filed in 2007-2008 are granted in 2010, namely;
  1. Immobilised Synthetic Anion Receptors
  2. System and Method for Authenticating Image Liveness
  3. Integrated Ion Sensitive Field Effect Transistor Sensor
- Second biggest contributor among Malaysian patent filers (163 patents filed)
- Contributed 40.4 percent of Malaysia's Total Filed Patent Applications at the Patent Cooperation Treaty (PCT), positioning Malaysia at 25th spot of patent filers at PCT
- The only Malaysian organisation listed in the 500 highest patent filing at PCT.

Collaboration

- Established collaborations with various local and international institutions including:
  1. Asiaspace WiMAX Sdn Bhd, Pernec Integrated Network Systems and Technology Park Malaysia (Amax City – first virtual city within Technology Park Malaysia)
  2. QT Hightech (M) Sdn Bhd (Front-end semiconductor value chain)
  3. ePulze Sdn Bhd (Semantic Technology Platform)
  4. PT Xirka Silicon Technology, Indonesia (Wireless Communication)
  5. Tatung Co, Taiwan (Wireless Communication)
  6. Universitas Islam Sultan Agung (UNISSULA), Indonesia (Advanced Informatics, Wireless Communication, Information Security, Knowledge Technology, Grid Computing and Microelectronics)
  7. IIUM Institute of Islamic Banking and Finance (Semantic-based Islamic Finance content and Islamic Finance education system)
  8. Information Technology Institute, Egypt (Advanced Computing).

Accolades

In 2010 MIMOS was recognised for its innovation excellence with a number of prestigious awards at national and international levels:

1. Two gold and three silver awards at the International Invention, Innovation and Technology Exhibition (ITEX) 2010
2. Three Malaysian Good Design Mark Awards 2010 under the Media and Home Electronics (Agriculture Network Point Terminal - MIMOS Gateway™ 2.0, MIMOS WiWi™ Outdoor Access Point, and MIMOS NetTablet™)
3. Red Dot award for Best Design Concept (MIMOS WristPC)
4. Silver award at Malaysian Society for Occupational Safety and Health (MSOSH).

PUTTING MALAYSIA *ON THE WORLD BROADBAND MAP*

WiMAX Forum® Southeast Asia Regional Focus

The inaugural WiMAX Forum® Southeast Asia Regional Focus 2010 was held in Kuala Lumpur on 22-25 November 2010, with the theme "4G WiMAX in Emerging Markets - Innovation and Evolution in Delivering Broadband". MIMOS co-organised the event with, P1, SIRIM and YTL Communications. The event was endorsed by the USA-based WiMAX Forum, and supported by MOSTI as well as the Malaysian Communications and Multimedia Commission (MCMC). The conference was launched by Information, Communications and Culture Deputy Minister Senator Datuk Maglin Dennis D'Cruz. in the presence of MOSTI Deputy Minister Datuk Haji Fadillah Yusof. More than 280 telecommunication operators, analysts and vendors from 102 companies and 23 countries participated in the conference, which featured 30 presentations and panel discussions. MIMOS Senior Director and Head of Wireless Communications Cluster Dr Mazlan Abbas presented a paper entitled "MIMOS - WiMAX and e-Government".

MIMOS WiWi router launched

In conjunction with the WiMAX Forum Southeast Asia Regional Focus 2010, MIMOS launched its WiWi Outdoor Access Point. The customer premises equipment (CPE) is to function as a replacement for last mile connectivity. The solution offers the world's first hybrid network approach by implementing open architecture to support any compatible off-the-shelf WiMAX (Backhaul) and WiFi (access) modules. It can also be used to counter connection problems in poor coverage areas such as in rural areas. The MIMOS WiWi Outdoor Access Point enables quadruple play (VoIP, data and video with seamless mobility) through its enhanced multicasting feature, which in turn enables network operators to offer Internet Protocol Television (IPTV) services by leveraging and optimising existing backend infrastructure.

Malaysia to the fore of WiMAX testing

The SIRIM QAS International WiMAX Testing Laboratory located at MIMOS supports both national and international WiMAX network operators, R&D centres and manufacturers by providing testing services on products to be used in the WiMAX network. The RM18 mil lab, which started operation in May 2010, was set up with assistance from MIMOS. It is the only independent WiMAX testing laboratory in the Southeast Asian region. The lab will further support the development and growth of ICT in Malaysia, and will support the government's National Broadband Initiative to foster economic progress through the establishment of a knowledge-based economy and realise its aspiration to enrich the lives of Malaysians.

The lab is able to perform measurements for all WiMAX profile (2.3GHz, 2.5GHz and 3.5GHz. WiMAX product developers and manufacturers can significantly reduce product development cost and time by validating product conformance to standards and interoperability during development stage. Products can be tested during the development stage or prior to undergoing WiMAX Forum Certification. SIRIM QAS is in the process of obtaining accreditation to ISO/IEC 17025 from Standards Malaysia as a pre-requisite to becoming a WiMAX Forum Designated Certification Laboratory (WFDCL).

WiWi provides consumers with affordable broadband connectivity that allows multiple users to tap into a single broadband connection, which means that it would facilitate broadband provision for the rakyat, and assist in bridging the digital divide especially in the rural areas.

HUMAN RESOURCE MANAGEMENT

CODE8 concludes first year with success

Part of building an innovation ecosystem is building people. On 9 Nov, 50 graduate apprentices received their certificates after completing MIMOS' Centre of Domain Expertise Acceleration (CODE8) programme. Launched in October 2009 in collaboration with the Ministry of Higher Education (MOHE), CODE8 is a mentoring and coaching training programme designed to provide workplace experience to fresh local and foreign-qualified graduates in the fields of ICT. The first batch of apprentices underwent training in specialised areas such as semantic technology, knowledge engineering, advanced computing, wireless embedded systems, software test and measurements, ontology and the most up-to-date software programming technology in Java, Linux, C++ and Share Point.

CODE8 offers a mixture of targeted classroom training, behavioural transformation and on-the-job training at MIMOS under the guidance of MIMOS' top researchers, scientists and engineers. Of the total number of the first batch of graduates, 29 were involved in various real-life 9th Malaysia Plan projects which have led to potential Intellectual Property (IP) generation.

With the successful completion of the first year of CODE8, MOHE has signed an agreement to continue its collaboration with MIMOS for another year. MOHE Minister Datuk Seri Mohamed Khaled Nordin said that CODE8 was a starting point that would lead to a continuous effort in supporting the government's aspiration to transform into an innovation led-economy.

CORPORATE SOCIAL RESPONSIBILITY

Beyond its daily operations in implementing R&D and delivering technology platforms to local industries, MIMOS fulfils its corporate social responsibility (CSR) by addressing challenges and needs of the society, both in urban and rural areas. As representative of the MOSTI's ICT cluster, MIMOS supports the national aspirations by coordinating a sustainable ICT-based CSR programme aimed at empowering communities and building their capacity towards socio-economic enhancement, in line with MOSTI's vision of upholding "science, technology and innovation for knowledge generation, wealth creation and societal well-being".

Specifically, MIMOS' CSR programme offers technology and ICT education apart from spreading awareness and enticing the youth to ICT, towards ensuring that the technology benefits the people in all areas of the country. MOSTI has initiated nationwide community programmes that have successfully reached out to grassroots communities around the country. Three projects spearheaded by MIMOS under MOSTI's TAPMOSTI@COMMUNITY programme are K-Masjid, K-School and K-Wheels. For all projects, MIMOS plays the role of technology and expertise provider as well as project manager including assisting in fund application and budget coordination.

Throughout 2010 a total of 43 projects comprising 28 K-Masjid and 13 K-School have been completed and handed over to the entities while the K-Wheels was involved in two events organised under TAPMOSTI@COMMUNITY initiative, apart from the year-long nationwide tour organised by MIMOS. The 43 projects have been distributed at sites based on region: 10 projects for Sabah, 10 projects for Sarawak, five projects for Central Region (covering Federal Territory, Selangor and Perak), three projects for Northern Region (covering Perlis, Penang and Kedah), one project for Eastern Region (covering Pahang and Terengganu), and 14 projects for Southern Region (covering Negeri Sembilan, Melaka and Johor).

Gift of Internet access for 30 households in KK

In March 2010, thirty households around Kota Kinabalu, Sabah were selected as recipients of free high-speed wireless Internet access for six months from WiMAX service provider REDTone International Bhd, with the JEN-ii tablet computer provided by MIMOS and the MIMOS-developed WiWi router provided by Pernec Integrated Network Systems Sdn Bhd. The initiative, which also included an IT literacy programme, was part of an effort to bring broadband services to better their socio-economic position. In addition, the broadband facilities help the villagers communicate and share information with their community and to the outside world.

CORPORATE DIARY

JANUARY

21 Jan | Launch of MIMOS-Universiti Teknologi Malaysia Centre of Excellence in Telecommunications Technology.

25 Jan | SATRIA1 Convention, graced by MOSTI Minister Datuk Seri Maximus Ongkili and Chairman of Malaysian Institute of Integrity Tan Sri Sidek Hassan, marking the achievement of a key milestone.

30 Jan | Launch of Digital Pekan 1Malaysia by Prime Minister Dato' Sri Najib Abd Razak where the iDOLA was put on display for the first time.

26 Jan | Launch of MIMOS' notebook computer, the iDOLA 1Malaysia by Minister of Information Communication and Culture Dato' Seri Utama Dr Rais Yatim.

21 Jan

25 Jan

30 Jan

26 Jan

FEBRUARY

1-5 Feb | K-Wheels joined National Science Centre's Melaka roadshow, which was hosted by five secondary schools in the state. The mobile ICT exhibition unit attracted more than 3,000 visitors throughout the six-day show.

23 Feb | Launch of Amax City – Malaysia's first virtual city, at Technology Park Malaysia, Bukit Jalil together with Asiaspace WiMAX and Pernec Integrated Network Systems.

23 Feb | K-Wheels was a big attraction at the launch of the school-level Project MyIDEAS in Pagoh, Johor which was graced by Deputy Prime Minister who is also Education Minister, Tan Sri Muhyiddin Yassin.

27-28 Feb | K-Wheels made a stop at Karnival MyIDEAS in Kangar, Perlis.

MARCH

2-4 March | Exhibition held in conjunction with the PBB Convention in Kuching. The MIMOS booth received some 2,000 visitors.

16 March | MIMOS organised a blood donation campaign at its campus.

21 March | K-Wheels' presence added to the fun at Karnival Memancing 1Malaysia, Sri Rampai, Kuala Lumpur.

28 March | K-Wheels met the people at Rumah Pangsa Danau Kota, Kuala Lumpur.

29 March - 2 Apr | K-Wheels continued its "Science on Wheels" journey with the National Science Centre to the state of Pahang. About 4,000 people came aboard the bus throughout the Pahang dates.

APRIL

7 Apr | MIMOS took part in the Design Innovation Exploration at Putrajaya, where we showcased our design software alongside our award-winning patented designs. The event was organised by Majlis Rekabentuk Malaysia.

10 Apr | Tadika MIMOS Annual Telematch held at Kompleks 3K Seri Kembangan.

12 Apr | Roadmap Technology Review (RMTR) organised to coincide with a visit by MOSTI minister. From January to June, MIMOS organised more than 10 RMTR sessions including those for government leaders and agencies, universities, and the media.

13 Apr | MIMOS Townhall Q1 held at Auditorium Dr Tengku Mohd Azzman Shariffadeen.

20 Apr | Presentation of iDOLA computers with iSDP to SK Tun Abd Razak in Kuala Kubu Baharu.

20-21 Apr | MIMOS organised a Workshop on Smart Sensor System.

30 Apr | Handover of WiMAX Lab @ MIMOS to SIRIM QAS International.

MAY

9 May | Presentation of iDOLA computers with iSDP to SK Nanga Tutus in Sibu.

10 May | Presentation of iDOLA computers with iSDP to SK Bawang Assan near Sibu.

12 May | K-Wheels participated in Hari ICT SMK Felda Besout, Sungkai.

14-16 May | MIMOS won two gold awards and three silvers at 21st International Invention, Innovation and Technology Exhibition (ITEX) 2010.

27 Feb

21 March

20 Apr

CORPORATE DIARY


6 July


14 May


10 Aug

18-20 May | MIMOS participated in an exhibition on the sidelines of the 6th World Islamic Economic Forum (WIEF2010) at KL Convention Centre.

28 May | MIMOS took part in Malaysia Inovatif (MI) 2010 Sabah Zone.

30-31 May | MIMOS participated in an exhibition at Pesta Kaamatan in Penampang.

JUNE

9 June | MIMOS participated in IP Monetisation Conference.

15-17 June | MIMOS participated in International Symposium on IT (ITSim).

21 June | K-Wheels attracted city and village folks at Science and Technology Week (MISTI).

21 June | MIMOS (TPM) Sports Carnival launched with 10 events; namely congkak, badminton, carom, netball, table tennis, darts, tennis and bowling.

24 June | MIMOS(KHTP) launched its Sport Carnival, offering prizes in futsal, bowling, tennis, table tennis, badminton, carom and darts.

25 June | K-School pilot project launched at SM St Martin, Tambunan in Kota Kinabalu.

JULY

3-4 July | MIMOS took part in an exhibition at K-Community and Open Day, Bukit Naning, Johor as part of TAPMOSTI@COMMUNITY programme.

6 July | MIMOS received visitors from PT Xirka Silicon Technology, Indonesia.

11-14 July | MIMOS participated in Fourth International Symposium on Broadband Communications (ISBC'10) in Melaka.

13 Jul | MIMOS received a visit by a delegation from Kazakhstan.

17 July | Media briefing on Centre of Excellence for Testing (now known as MIMOS Product Quality and Reliability Engineering Lab).

20 July | MIMOS Q2 Townhall held at Auditorium Dr Tengku Mohd Azzman Shariffadeen.

26- 30 July | MIMOS co-organised Knowledge Technology Week 2010 in Kota Samarahan; signed two MoUs: with International Islamic University of Malaysia (IIUM) on Islamic Finance content, with e-Pulze Sdn Bhd on semantic-based sentiment analytics system.

26-27 July | MIMOS organised a Workshop on BioMEMS Sensors.

30-31 July | MIMOS took part in Karnival Malaysia Inovatif Zon Timur at Kuala Terengganu.

31 July | Strategic MIMOS Achievers and Recognised Talents (SMART) Day.

AUGUST

2-5 Aug | MIMOS co-organised the 4th World Engineering Congress 2010 in Kuching.

6 Aug | A delegation from Asean Economic Community visited MIMOS.

10 Aug | A delegation from Felda Prodata Systems visited MIMOS.

13 Aug | A visit followed by an MoU signing with Universitas Islam Sultan Agung, Semarang on Digital Multimedia Broadcasting.

16 Aug | Majlis Buka Puasa MIMOS KHTP with vision-impaired folks of Rumah Bakti Kulim and children from Batu Grace Home, Kulim.

18-30 Aug | MIMOS organised a Ramadan Cash Donation Drive.

25 Aug | Majlis Buka Puasa with the Media at Restoran Rebung, Bangsar.

26 Aug | MIMOS held a Majlis Buka Puasa at Masjid Bandar Kinrara, with children from Rumah Amal Limpahan Kasih special guests.

SEPTEMBER

2 Sept | Launch of 4Gbit/s Ultrafast Link for Advanced Research at International Islamic University Malaysia.

23 Sept | MIMOS WiWi Outdoor Access Point commenced production.

24-25 Sept | MIMOS took part in CyberSAFE in Schools at SMK Tandek, Kota Marudu.

30 Sept | Majlis Salam Aidilfitri 1MOSTI at Bukit Jalil Golf and Country Resort attended by more than 2,000 guests.

OCTOBER

01 Oct | MIMOS KHTP held its Hari Raya Celebration.

11 Oct | Exactly two months after its closure for renovation and upgrading, the MIMOS Cafeteria reopened in a simple ceremony officiated by CEO Dato' Abdul Wahab Abdullah.

NOVEMBER

9 Nov | CODE8 Graduation ceremony where 50 apprentices received their certificates. An MoU was signed with Penang Skills Development Centre (PSDC) on industrial training for graduates.

11 Nov | MIMOS organised Usability Symposium, a partner programme of World Usability Day 2010.

13-14 Nov | MI2010 Central Zone held in Melaka. MIMOS hosted the Musical Creativity component.

22-26 Nov | MIMOS hosted the WIMAX Forum® Southeast Asia Regional Focus in Kuala Lumpur. WiWi Outdoor Access Point was launched. SIRIM QAS WiMAX Forum Designated Certification Laboratory at MIMOS was also officially launched.

24-26 Nov | Festival Malaysia Inovatif and closing of MI2010 at National Sports Complex, Bukit Jalil, graced by Prime Minister Dato' Sri Najib Tun Razak and MOSTI Minister Dato' Seri Maximus Ongkili.

DECEMBER

3-5 Dec | MIMOS participated in an exhibition in Kota Marudu, Sabah, in conjunction with the Pesta Jagung (Corn Festival). MOSTI Minister Dato' Seri Maximus Ongkili, who is also Kota Marudu Member of Parliament, graced the event.

9 Dec | MIMOS conducted an emergency evacuation drill, which was observed and monitored by Bomba officers from the Bukit Jalil Fire Station.

24 Sept

24 Nov

3 Dec

Info in Just a Single Click with MIMOS Netbook

MIMOS, UTM launch Centre of Excellence in Telecommunication Technology

AMAX City Launched

The RM1bil Man

MIMOS Files More IPs

Innovation and R&D the Key: MIMOS Chief

From Planting to Selling

First in Sarawak to Use K-Mosque

MIMOS Launches Ultra-Fast Link for Advanced Research

MIMOS, QT HIGHTECH MALAYSIA METERAI KERJASAMA

More Than 100 Products in Test Phase: MIMOS

PC on Your Wrist

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 2010.

Principal activities

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 2010.

The principal activities of its subsidiaries are marketing and sale of integrated circuit product and investment holding, as disclosed in Note 12 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 subsidiaries as disclosed in Note 12 to the financial statements.

Results

	Group RM	Company RM
Profit for the year	26,554,851	24,716,703
Attributable to:		
Equity holders of the Company	27,126,519	24,716,703
Minority interests	(571,668)	-
	26,554,851	24,716,703

There were no material transfers to or from reserves or provisions during the financial year.

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.

Dividends

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

The directors do not recommend for the payment of any dividend for the current financial year.

Directors

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

Dato' Suriah binti Abd Rahman

Gho Peng Seng

Prof. Datin Paduka Dr. Khatijah binti Mohamad Yusoff

Abdul Rahim bin Abdul Hamid

Mohamed Rashdi bin Mohamed Ghazalli

Datuk John Maluda @ Wanji

Datu Dr. Hatta bin Solhi

Dato' Abdul Wahab bin Abdullah

Dato' Dr. Sharifah Zarah binti Syed Ahmad
(alternate director to Prof. Datin Paduka Dr. Khatijah binti Mohamad Yusoff)

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 7 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 statements of comprehensive income and statements of financial position 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 there were no known bad debts 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.

Other statutory information (contd.)

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

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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 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.

Significant and subsequent events

Details of significant events are disclosed in Note 27 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 31 May 2011.

DATO' SURIAH BINTI ABD RAHMAN

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 8 to 69 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 2010 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 31 May 2011.

DATO' SURIAH BINTI ABDUL RAHMAN

ABDUL RAHIM BIN ABDUL HAMID

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 8 to 69 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 above named
DATO' ABDUL WAHAB BIN ABDULLAH
at Kuala Lumpur in the Federal Territory
on 31 May 2011

DATO' ABDUL WAHAB BIN ABDULLAH

Before me,

PESURUHJAYA SUMPAH
W 550
ARSHAD ABDULLAH
MALAYSIA

Independent Auditor's Report

to the member of MIMOS Berhad

Report on the financial statements

We have audited the financial statements of Mimos Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 8 to 69.

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 entity'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.

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 2010 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 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 of which we have acted as auditors 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 for those purposes.

(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 Auditor's Report (cont'd.)

Other matters

This report is made solely to the member 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. 2305/05/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia

31 May 2011

Statements of comprehensive income

for the year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Continuing operations					
Revenue	3	9,571,369	5,010,992	9,571,369	4,815,474
Cost of sales	4	(5,984,361)	(3,323,040)	(5,984,361)	(3,225,371)
Gross profit		3,587,008	1,687,952	3,587,008	1,590,103
Grant income		191,739,026	159,233,529	191,739,026	159,233,529
Other operating income		41,166,718	7,424,507	41,107,951	9,740,949
Administrative expenses		(162,673,474)	(141,420,620)	(163,357,596)	(141,636,189)
Other operating expenses		(47,351,613)	(32,177,322)	(47,351,613)	(26,412,913)
(Loss)/profit from operations		26,467,665	(5,251,954)	25,724,776	2,515,479
Finance costs	5	(47,893)	(52,986)	(47,893)	(52,986)
Share of results of associates	13	-	-	-	-
(Loss)/profit before tax	6	26,419,772	(5,304,940)	25,676,883	2,462,493
Taxation	8	(960,180)	1,098,866	(960,180)	1,098,866
Profit/(loss) from continuing operations		25,459,592	(4,206,074)	24,716,703	3,561,359
Discontinued operations					
Profit from discontinued operations	9	1,095,259	78,709	-	-
Profit for the year		26,554,851	(4,127,365)	24,716,703	3,561,359
Other comprehensive income:					
Foreign currency translation		(676,710)		-	-
Total comprehensive income for the year		25,878,141	(4,127,365)	24,716,703	3,561,359
Profit attributable to:					
Owner of the parent		27,126,519	(4,127,365)	24,716,703	3,561,359
Minority interests		(571,668)	-	-	-
		26,554,851	(4,127,365)	24,716,703	3,561,359
Total comprehensive income attributable to:					
Owner of the parent		26,449,809	(4,127,365)	24,716,703	3,561,359
Minority interests		(571,668)	-	-	-
		25,878,141	(4,127,365)	24,716,703	3,561,359

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of financial position

as at 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Assets					
Non-current assets					
Property, plant and equipment	10	143,097,194	140,035,306	143,093,795	140,031,426
Intangible assets	11	39,236,591	37,167,572	39,236,591	37,167,572
Investments in subsidiaries	12	-	-	538,783	538,783
Investments in associates	13	1	1	1	1
Other investments	14	2	2	2	2
Deferred tax assets	23	-	-	-	-
		182,333,788	177,202,881	182,869,172	177,737,784
Current assets					
Short term investments	15	-	-	-	-
Inventories	16	2,509,154	-	2,509,154	-
Trade receivables	17	1,042,878	144	1,042,878	144
Other receivables	18	17,077,109	23,378,558	17,511,737	23,791,457
Tax recoverable		1,249,583	1,093,873	1,177,722	804,574
Cash and bank balances	19	133,586,112	211,224,423	133,139,826	203,876,418
		155,464,836	235,696,998	155,381,317	228,472,593
Assets of disposal group/assets classified as held for sale	9	-	33,644,632	-	34,949,959
		155,464,836	269,341,630	155,381,317	263,422,552
Total assets		337,798,624	446,544,511	338,250,489	441,160,336

Statements of financial position

as at 31 December 2010 (cont'd.)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	22	100,000,000	100,000,000	100,000,000	100,000,000
Exchange translation reserve		-	(3,511,335)	-	-
Accumulated losses		(19,542,054)	(46,668,573)	(19,074,618)	(43,791,321)
		80,457,946	49,820,092	80,925,382	56,208,679
Minority interests		-	3,649,529	-	-
Total equity		80,457,946	53,469,621	80,925,382	56,208,679
Non-current liabilities					
Funds accounts	24	236,474,158	286,950,638	236,474,158	286,950,638
Current liabilities					
Trade payables		2,371,780	596,823	2,371,780	596,823
Other payables	21	18,494,740	28,542,967	18,479,169	21,404,196
Borrowing	20	-	76,000,000	-	76,000,000
		20,866,520	105,139,790	20,850,949	98,001,019
Liabilities directly associated with asset classified as held for sale	9	-	984,462	-	-
		20,866,520	106,124,252	20,850,949	98,001,019
Total liabilities		257,340,678	393,074,890	257,325,107	384,951,657
Total equity and liabilities		337,798,624	446,544,511	338,250,489	441,160,336

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of changes in equity

for the financial year ended 31 December 2010

	|------------ Attributable to equity holders of the parent			------------|		
	Share capital	Accumulated losses	Exchange reserves	Total	Minority interests	Total equity
	RM	RM	RM	RM	RM	RM
At 1 January 2009	100,000,000	(42,541,208)	(3,256,451)	54,202,341	3,649,529	57,851,870
Foreign currency translation, representing net loss recognised directly in equity	-	-	(254,884)	(254,884)	-	(254,884)
Total comprehensive income for the year	-	(4,127,365)	-	(4,127,365)	-	(4,127,365)
At 31 December 2009	100,000,000	(46,668,573)	(3,511,335)	49,820,092	3,649,529	53,469,621
At 1 January 2010	100,000,000	(46,668,573)	(3,511,335)	49,820,092	3,649,529	53,469,621
Foreign currency translation, representing net profit recognised directly in equity	-	-	-	-	-	-
Disposal of subsidiaries	-	-	4,188,045	4,188,045	(3,077,861)	1,110,184
Total comprehensive income for the year	-	27,126,519	(676,710)	26,449,809	(571,668)	25,878,141
At 31 December 2010	100,000,000	(19,542,054)	-	80,457,946	-	80,457,946

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company statement of changes in equity

for the financial year ended 31 December 2010

	Share capital RM	Accumulated losses RM	Total RM
At 1 January 2009	100,000,000	(47,352,680)	52,647,320
Total comprehensive income for the year	-	3,561,359	3,561,359
At 31 December 2009	100,000,000	(43,791,321)	56,208,679
At 1 January 2010	100,000,000	(43,791,321)	56,208,679
Total comprehensive income for the year	-	24,716,703	24,716,703
At 31 December 2010	100,000,000	(19,074,618)	80,925,382

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2010

	2010 RM	2009 RM
Cash flows from operating activities		
(Loss)/profit before tax from:		
Continued operations	26,419,772	(5,304,940)
Discontinued operations	1,095,259	78,709
Adjustments for:		
Amortisation of intangible assets	12,329,042	10,444,147
Depreciation of property, plant and equipment	27,126,611	25,301,085
Loss on disposal of property, plant and equipment	-	2,292,492
Loss on disposal of intangible assets	-	514,175
Gain on disposal of associate company	-	(1,881,885)
Gain on disposal of a subsidiaries	(45,015)	-
Provision for doubtful debts (net)	192,059	1,139,647
Bad debts written off	-	205,000
Unrealised foreign exchange gain	-	(223,211)
Waiver of long term loan	(36,500,000)	-
Interest income	(3,951,987)	(4,929,955)
Grant income	(191,739,026)	(159,233,529)
Operating loss before working capital changes	(165,073,285)	(131,598,265)
Change in working capital:		
Inventories	(2,509,154)	1,009,276
Receivables	13,279,532	2,580,758
Payables	(10,692,828)	(10,983,705)
Cash used in operations	(164,995,735)	(138,991,936)
Tax paid	(1,115,890)	(1,381,730)
Net cash used in operating activities	(166,111,625)	(140,373,666)

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2010 (cont'd.)

	2010 RM	2009 RM
Cash flows from investing activities		
Acquisition of property, plant and equipment	(33,981,570)	(61,026,516)
Acquisition of intangible assets	(12,035,568)	(9,531,900)
Net cash inflow from disposal of a subsidiary (Note 12)	7,323,103	-
Interest received	3,951,987	4,929,955
Proceeds from disposal of property, plant and equipment	-	378,708
Net cash used in investing activities	(34,742,048)	(65,249,753)
Cash flows from financing activities		
Repayment of long term loan	(39,500,000)	-
Development fund received	186,920,246	253,429,509
Transferred to approved projects	(43,572,093)	(39,795,813)
Net cash generated from financing activities	103,848,153	213,633,696
Net movement in cash and cash equivalents	**(97,005,520)**	**8,010,277**
Effects of foreign exchange rate changes	**-**	**(181,559)**
Cash and cash equivalents at beginning of year	**230,591,632**	**222,762,914**
Cash and cash equivalents at end of year (Note 19)	**133,586,112**	**230,591,632**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company Statement of Cash Flows

for the financial year ended 31 December 2010

	2010 RM	2009 RM
Cash flows from operating activities		
Profit/(loss) before tax	25,676,883	2,462,493
Adjustments for:		
Depreciation of property, plant and equipment	27,126,130	25,089,103
Amortisation of intangible assets	12,329,042	10,444,147
Loss on disposal of property, plant and equipment	-	1,790,674
Loss on disposal of intangible assets	-	501,813
Provision for doubtful debts	192,059	917,241
Bad debts written off	-	205,000
Gain on disposal of an associate	-	(4,450,000)
Loss on disposal of a subsidiary	728,369	-
(Writeback)/provision for impairment on investment in subsidiaries	-	(4,630,417)
Waiver of long term loan	(36,500,000)	-
Interest income	(3,840,721)	(4,781,705)
Grant income	(191,739,026)	(159,233,529)
Operating loss before working capital changes:	(166,027,264)	(131,685,180)
Change in working capital:		
Inventories	(2,509,154)	1,148,267
Receivables	13,257,804	966,481
Payables	16,663,073	(8,291,859)
Cash used in operations	(138,615,541)	(137,862,291)
Tax refund received/(tax paid)	(1,115,890)	(2,944,963)
Interest paid	-	-
Net cash used in operating activities	(139,731,431)	(140,807,254)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(33,981,570)	(61,017,966)
Acquisition of intangible assets	(12,035,568)	(9,531,901)
Interest received	3,840,721	4,781,705
Proceeds from disposal of property, plant and equipment	-	880,522
Proceeds from disposal of a subsidiary	7,323,103	-
Net cash used in investing activities	(34,853,314)	(64,887,640)

Company Statement of Cash Flows

for the financial year ended 31 December 2010 (cont'd.)

	2010 RM	2009 RM
Cash flows from financing activities		
Development fund received from the government	186,920,246	253,429,509
Repayment of long term loan	(39,500,000)	-
Transferred to approved projects	(43,572,093)	(39,795,813)
Net cash generated from financing activities	103,848,153	213,633,696
Net movement in cash and cash equivalents	(70,736,592)	7,938,802
Cash and cash equivalents at beginning of year	203,876,418	195,937,616
Cash and cash equivalents at end of year (Note 19)	133,139,826	203,876,418

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
for the financial year ended 31 December 2010

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 and investment holding, as disclosed in Note 12 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 subsidiaries as disclosed in Note 12.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and the principal place of business of the Company is located at Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur.

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

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments*

FRS 101 Presentation of Financial Statements (Revised)

FRS 123 Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and

FRS 127 Consolidated and Separate Financial Statements:

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations*

Amendments to FRS 132 Financial Instruments: Presentation

Amendments to FRS 139 Financial Instruments: Recognition and Measurement,

FRS 7 Financial Instruments: Disclosures and IC Interpretation 9

Reassessment of Embedded Derivatives

Improvements to FRS issued in 2009:

FRS 5 Non-current Assets Held for Sale and Discontinued Operations

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments*

FRS 107 Statement of Cash Flows

FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

FRS 110 Events after the Reporting Period

FRS 116 Property, Plant and Equipment

FRS 117 Leases

FRS 118 Revenue

FRS 119 Employee Benefits

FRS 120 Accounting for Government Grants and Disclosures of Government Assistance

FRS 123 Borrowing Costs

FRS 127 Consolidated and Separate Financial Statements

FRS 128 Investments in Associate

FRS 129 Financial Reporting in Hyperinflationary Economies*

FRS 131 Interests in Joint Ventures*

FRS 134 Interim Financial Reporting*

FRS 136 Impairment of Assets

FRS 138 Intangible Assets

FRS 140 Investment Property*

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment*

IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions*

IC Interpretation 13 Customer Loyalty Programmes*

IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset,

Minimum Funding Requirements and their Interaction*

** Not applicable to the Group and the Company*

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group and the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital (See Note 30).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The adoption of this standards has resulted in no adjustment to the opening balance of accumulated losses as at 1 January 2010.

2.3 Standards issued but not yet effective

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

2. Significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control andand transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2.4 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) 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

Transactions in foreign currencies are measured in Ringgit Malaysia (RM) and are recorded on initial recognition in the RM at exchange rates approximating those ruling at the dates of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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.

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

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 except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straightline 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 (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Intangible assets

(i) Other intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised using the straight line method over the estimated 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 are reviewed at least at each financial yearend. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

- Computer software

  Computer software costs are capitalised as intangible assets which are measured initially at cost and is amortised on a straight line basis over its economic life ranging from 3 to 5 years.

(e) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cashgenerating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(g) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. 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 for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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.

(g) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets (cont'd.)

All financial assets of the Company are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) 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.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Government 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 nondepreciable assets are recognised in the income statement in the period in which it becomes receivable.

(n) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Financial liabilities (cont'd.)

(i) Other financial liabilities (cont'd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(o) Employee benefits

Define contribution plans

The Group and the Company make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(p) Leases

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straightline basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straightline basis.

(q) Discontinued operation

A component of the Group is classified as a "discontinued operation" 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 or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

(r) 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. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

Revenue relating to sales of goods is recognised net of sales tax and discounts upon the transfer of risks and rewards to the buyer.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Revenue recognition (cont'd.)

(ii) Rendering of services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(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.

(s) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(s) Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.5. Significant accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) 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 recignised in the financial statements.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgments (cont'd.)

(a) Judgments made in applying accounting policies (cont'd.)

(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 cash flows, 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 judgment 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 23, respectively.

(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.

3. Revenue

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Sale of goods	1,381,817	195,518	1,381,817	-
Rendering of services	8,189,552	4,815,474	8,189,552	4,815,474
	9,571,369	5,010,992	9,571,369	4,815,474

4. Cost of sales

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cost of inventories sold	6,196,493	97,669	6,196,493	-
Cost of services rendered	(212,132)	3,225,371	(212,132)	3,225,371
	5,984,361	3,323,040	5,984,361	3,225,371

5. Finance costs

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Bank and commission charges	47,893	52,986	47,893	52,986

6. Profit/(Loss) before tax

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

	Group		Company	
	2010 **RM**	**2009** **RM**	**2010** **RM**	**2009** **RM**
Employee benefits expense (Note 7)	92,954,759	76,479,339	92,954,759	76,226,886
Auditors' remuneration				
- statutory audit	53,000	42,000	50,000	35,000
- other services	15,000	37,000	38,000	28,000
Amortisation of intangible assets	12,329,042	10,444,147	12,329,042	10,444,147
Non-executive directors' remuneration				
- other emoluments	117,000	166,250	117,000	116,250
Depreciation of property, plant and equipment	27,126,611	25,301,085	27,126,130	25,089,103
Provision for doubtful debts, net	192,059	1,139,647	192,059	917,241
Bad debts written off	-	205,000	-	205,000
(Gain)/loss on disposal of subsidiaries	(45,015)	-	728,369	-
Waiver of long term loan	(36,500,000)	-	(36,500,000)	-
Gain on disposal of associate company	-	(1,881,885)	-	(4,450,000)
Writeback of impairment on investments in subsidiaries	-	-	-	(4,630,417)
Lease rental of equipment	4,495,193	5,333,112	4,495,193	5,333,112
Loss on disposal of property, plant and equipment	-	2,292,492	-	1,790,674
Loss on disposal of intangible assets	-	514,175	-	501,813
Interest income				
- banks	(3,951,987)	(4,929,955)	(3,840,721)	(4,781,705)
Unrealised net foreign exchange gain	-	(11,452)	-	(11,452)
Realised net foreign exchange (gain)/loss	(211,338)	3,317	(211,338)	20,968

7. Employee benefits expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Wages and salaries	73,336,296	60,240,984	73,336,296	60,044,030
Social security costs	314,459	223,844	314,459	220,373
Pension costs:				
Defined contribution plan	10,496,257	8,153,980	10,496,257	8,123,857
Other staff related expenses	8,807,747	7,860,532	8,807,747	7,838,626
	92,954,759	76,479,340	92,954,759	76,226,886

The following amounts have been included in employee benefits expense:

	Group/Company	
	2010	**2009**
	RM	**RM**
Executive director remuneration	1,182,660	1,224,065
Contract employees	20,131,127	15,897,396

The total number of employees as at 31 December 2010 is 748 (2009: 731) whereby 188 (2009: 133) of the total were hired on contract basis for project purposes.

8. Income tax expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Malaysian income tax	960,180	1,195,426	960,180	1,195,426
Overprovision in prior years	-	(2,294,292)	-	(2,294,292)
	960,180	(1,098,866)	960,180	(1,098,866)
Total income tax	960,180	(1,098,866)	960,180	(1,098,866)

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.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

8. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to profit/(loss) 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:

	2010 RM	2009 RM
Group		
Profit/(loss) before tax:		
Continuing operations	26,419,772	(5,304,940)
Discontinued operations	1,095,259	78,709
	27,515,031	(5,226,231)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	7,236,402	(1,306,558)
Income not subject to tax	(9,125,000)	-
Grant income not subject to tax	(9,622,037)	(8,021,345)
Expenses not deductible for tax purposes	5,533,907	4,294,262
Deferred tax assets not recognised during the year	6,936,908	6,229,067
Overprovision of income tax expense in prior years	-	(2,294,292)
Income tax for the year	960,180	(1,098,866)
Company		
Profit before tax	25,676,883	2,462,493
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	6,776,865	615,623
Income not subject to tax	(9,125,000)	-
Grant income not subject to tax	(9,622,037)	(8,021,345)
Expenses not deductible for tax purposes	6,001,068	3,691,864
Deferred tax assets not recognised during the year	6,929,284	4,909,284
Overprovision of income tax expense in prior years	-	(2,294,292)
Income tax for the year	960,180	(1,098,866)

9. Discontinued operations and disposal group classified as held for sale

As at 31 December 2009, the Group classified Encipta Ltd. ("Encipta") and Malaysia Microelectronic Solutions Sdn. Bhd. ("MyMS"), as disposal group classified as held for sale upon receiving a firm offer from third parties as at 31 December 2009. The results from these subsidiaries entities during the financial year are presented separately on the consolidated statement of comprehensive income as discontinued operations in previous year.

The Group completed the disposal of Encipta and MyMS on 8 June 2010 and 31 October 2010 respectively. The effects on the disposal as disclosed in Note 12.

9. Discontinued operations and disposal group classified as held for sale (cont'd.)

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

	Group	
	2010 RM	2009 RM
Revenue	3,863,342	5,256,836
Cost of sales	(1,468,468)	(3,169,300)
Gross profit	2,394,874	2,087,536
Other income	675,511	226,235
Expenses	(1,975,126)	(2,235,062)
Profit for the year from discontinued operations, net of tax	1,095,259	78,709

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

	Group	
	2010 RM	2009 RM
Staff costs	1,085,388	1,337,140
Auditors' remuneration	32,684	39,000
Depreciation of property, plant and equipment	109,300	211,357
Rental of office premises	145,080	145,080
Unrealised foreign exchange gain	(641,703)	(211,759)
Interest income	(154,394)	(34,572)

	Group	
	2010 RM	2009 RM
The cash flow attributable to the discontinued operations are as follows:		
Operating cash flows	(952,934)	148,680
Investing cash flows	115,692	305,400
Total cash flows	(837,242)	454,080

10. Property, plant and equipment

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM
Group			
At 31 December 2010			
Cost			
At 1 January	3,548,590	795,746	8,400,036
Additions	640,103	178,411	1,490,481
Write off	-	-	-
Reclassification	-	-	-
Transfer to intangible assets	-	-	-
At 31 December	4,188,693	974,157	9,890,517
At 31 December 2010			
Accumulated depreciation			
At 1 January	805,083	696,664	3,938,856
Charge for the year (Note 6)	435,690	93,056	1,372,042
At 31 December	1,240,773	789,720	5,310,898
Net carrying amount			
At 31 December 2010	2,947,920	184,437	4,579,619

Computer hardware RM	Laboratory and workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
50,455,607	76,104,238	23,366,750	27,765,204	20,152,516	210,588,687
4,983,368	13,365,923	3,499,052	-	9,824,232	33,981,570
-	-	-	-	(1,430,578)	(1,430,578)
-	13,804,502	-	-	(13,804,502)	-
-	-	-	-	(2,362,493)	(2,362,493)
55,438,975	103,274,663	26,865,802	27,765,204	12,379,175	240,777,186
35,236,302	20,348,730	5,607,767	3,919,979	-	70,553,381
11,315,591	10,855,414	2,518,217	536,601	-	27,126,611
46,551,893	31,204,144	8,125,984	4,456,580	-	97,679,992
8,887,082	72,070,519	18,739,818	23,308,624	12,379,175	143,097,194

10. Property, plant and equipment (cont'd.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM
Group (cont'd)			
At 31 December 2009			
Cost			
At 1 January	3,620,942	511,248	7,211,817
Additions	794,906	-	1,952,582
Disposals	(565,749)	-	(1,193,949)
Adjustment	(31,407)	284,498	504,641
Transfer to intangible assets	-	-	-
Reclassified as held for sale	(270,102)	-	(75,055)
At 31 December	3,548,590	795,746	8,400,036
At 31 December 2009			
Accumulated depreciation			
At 1 January	1,135,035	394,360	3,625,251
Charge for the year (Note 6)	379,500	57,374	1,164,017
Disposals	(421,952)	-	(1,141,894)
Adjustment	(17,400)	244,930	366,072
Transfer to intangible assets	-	-	-
Reclassified as held for sale	(270,100)	-	(74,590)
At 31 December	805,083	696,664	3,938,856
Net carrying amount			
At 31 December 2009	2,743,507	99,082	4,461,180

Computer hardware RM	Laboratory and workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
45,264,234	58,315,883	29,166,093	27,997,481	16,199,591	188,287,289
8,853,908	25,536,263	6,230,442	-	17,658,415	61,026,516
(4,701,254)	(396,689)	(11,039,154)	(232,277)	-	(18,129,072)
1,580,144	(2,107,921)	(230,549)	-	(1,516,059)	(1,516,653)
(19,500)	311,400	(362,820)	-	(7,392,285)	(7,463,205)
(521,925)	(5,554,698)	(397,262)	-	(4,797,146)	(11,616,188)
50,455,607	76,104,238	23,366,750	27,765,204	20,152,516	210,588,687
28,587,868	18,095,646	12,782,124	3,409,176	-	68,029,460
12,891,643	7,706,147	2,563,480	538,924	-	25,301,085
(4,641,118)	(124,782)	(9,100,005)	(28,121)	-	(15,457,872)
(1,109,007)	(245,342)	(322,785)	-	-	(1,083,532)
(9,325)	321,262	(36,282)	-	-	275,655
(483,759)	(5,404,201)	(278,765)	-	-	(6,511,415)
35,236,302	20,348,730	5,607,767	3,919,979	-	70,553,381
15,219,305	55,755,508	17,758,983	23,845,225	20,152,516	140,035,306

10. Property, plant and equipment (cont'd.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM
Company			
At 31 December 2010			
Cost			
At 1 January	3,548,590	795,746	8,395,235
Additions	640,103	178,411	1,490,481
Write off	-	-	-
Reclassification	-	-	-
Transfer to intangible assets	-	-	-
At 31 December	4,188,693	974,157	9,885,716
Accumulated depreciation			
At 1 January	805,079	696,664	3,805,561
Charge for the year (Note 6)	435,694	93,056	1,503,935
At 31 December	1,240,773	789,720	5,309,496
Net carrying amount			
At 31 December 2010	2,947,920	184,437	4,576,220

Computer hardware RM	Laboratory and workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
50,322,641	76,104,238	23,366,750	27,765,204	20,152,516	210,450,920
4,983,368	13,365,923	3,499,052	-	9,824,232	33,981,570
-	-	-	-	(1,430,578)	(1,430,578)
-	13,804,502	-	-	(13,804,502)	-
-	-	-	-	(2,362,493)	(2,362,493)
55,306,009	103,274,663	26,865,802	27,765,204	12,379,175	240,639,419
35,235,714	20,348,730	5,607,767	3,919,979	-	70,419,494
11,183,213	10,855,414	2,518,217	536,601	-	27,126,130
46,418,927	31,204,144	8,125,984	4,456,580	-	97,545,624
8,887,082	72,070,519	18,739,818	23,308,624	12,379,175	143,093,795

10. Property, plant and equipment (cont'd.)

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM
Company (cont'd)			
At 31 December 2009			
Cost			
At 1 January	3,319,433	795,746	7,636,602
Additions	794,906	-	1,952,582
Disposals	(565,749)	-	(1,193,949)
Adjustment	-	-	-
Transfer to intangible assets	-	-	-
At 31 December	3,548,590	795,746	8,395,235
Accumulated depreciation			
At 1 January	847,535	639,290	3,784,841
Charge for the year (Note 6)	379,500	57,374	1,162,614
Disposals	(421,956)	-	(1,141,894)
Transfer to intangible assets	-	-	-
At 31 December	805,079	696,664	3,805,561
Net carrying amount			
At 31 December 2009	2,743,511	99,082	4,589,674

Computer hardware RM	Laboratory and workshop equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
46,198,037	50,653,264	28,538,282	27,997,481	9,906,426	175,045,271
8,845,358	25,536,263	6,230,442	-	17,658,415	61,017,966
(4,701,254)	(396,689)	(11,039,154)	(232,277)	-	(18,129,072)
-	-	-	-	(20,040)	(20,040)
(19,500)	311,400	(362,820)	-	(7,392,285)	(7,463,205)
50,322,641	76,104,238	23,366,750	27,765,204	20,152,516	210,450,920
27,007,600	12,598,014	12,226,156	3,409,176	-	60,512,612
12,878,557	7,554,236	2,517,898	538,924	-	25,089,103
(4,641,118)	(124,782)	(9,100,005)	(28,121)	-	(15,457,876)
(9,325)	321,262	(36,282)	-	-	275,655
35,235,714	20,348,730	5,607,767	3,919,979	-	70,419,494
15,086,927	55,755,508	17,758,983	23,845,225	20,152,516	140,031,426

11. Intangible assets

	Intellectual property RM	Computer software RM	Total RM
Group			
Cost			
At 1 January 2009	22,264,850	60,058,333	82,323,183
Additions	-	9,531,900	9,531,900
Transfer from property, plant and equipment	-	7,463,205	7,463,205
Disposals	-	(991,810)	(991,810)
Reclassified as held for sale (Note 9)	(22,264,850)	71,062	(22,193,788)
At 31 December 2009 and 1 January 2010	-	76,132,690	76,132,690
Additions	-	12,035,568	12,035,568
Transfer from property, plant and equipment	-	2,362,493	2,362,493
At 31 December 2010	-	90,530,751	90,530,751
Accumulated amortisation and impairment losses			
At 1 January 2009	21,881,050	29,203,199	51,084,249
Amortisation (Note 6)	-	10,444,147	10,444,147
Disposals	-	(477,635)	(477,635)
Transfer from property, plant and equipment	-	(275,655)	(275,655)
Reclassified as held for sale (Note 9)	(21,881,050)	71,062	(21,809,988)
At 31 December 2009 and 1 January 2010	-	38,965,118	38,965,118
Amortisation (Note 6)	-	12,329,042	12,329,042
At 31 December 2010	-	51,294,160	51,294,160
Net carrying amount			
At 31 December 2010	-	39,236,591	39,236,591
At 31 December 2009	-	37,167,572	37,167,572

11. Intangible assets (cont'd.)

	Computer software RM
Company	
Cost	
At 1 January 2009	60,129,395
Additions	9,531,901
Transfer from property, plant and equipment	7,463,205
Disposals	(979,448)
At 31 December 2009 and 1 January 2010	76,145,053
Additions	12,035,568
Transfer from property, plant and equipment	2,362,493
At 31 December 2010	90,543,114
Accumulated amortisation and impairment losses	
At 31 December 2008 and 1 January 2009	29,286,624
Amortisation (Note 6)	10,444,147
Transfer from property, plant and equipment	(275,655)
Disposals	(477,635)
At 31 December 2009 and 1 January 2010	38,977,481
Amortisation (Note 6)	12,329,042
At 31 December 2010	51,306,523
Net carrying amount	
At 31 December 2010	39,236,591
At 31 December 2009	37,167,572

12. Investments in subsidiaries

	2010 RM	2009 RM
Unquoted shares, at cost	5,000,000	5,000,000
Less : Accumulated impairment losses	(4,461,217)	(4,461,217)
	538,783	538,783

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
*MIMOS Semiconductor (M) Sdn. Bhd.	Malaysia	Provision of management and wafer fabrication services and trading of semiconductor wafer	100	100
@Encipta Ltd.	Labuan, Malaysia	Investment holding	-	100
@Malaysia Microelectronic Solutions Sdn. Bhd	Malaysia	Designing, marketing and sale of integrated circuit products	-	60 #

* The subsidiary ceased its operation on 1 March 2009.

@ Disposed during the financial year as disclosed in Note 9 and 27

\# 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 (cont'd.)

Disposal of subsidiaries

As dislosed in Note 9 to the financial statements, in the previous year, the Group had classified Encipta and MyMS, as disposal group classified as held for sale.

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

	2010 RM	2009 RM
Property, plant and equipment	5,001,122	5,104,773
Intangible assets	383,800	383,800
Other investments	7,661,732	7,437,812
Inventories	1,216,455	666,087
Trade and other receivables	1,286,505	684,951
Cash and bank balances	18,685,610	19,367,209
Trade and other payables	(1,168,833)	(984,462)
Net assets disposed	33,066,391	32,660,170
Transfer from foreign exchange reserve	4,188,045	3,511,335
	37,254,436	36,171,505
Minority interest	(3,077,861)	
	34,176,575	
Total disposal proceeds	(34,221,590)	
Gain on disposal to the Group	(45,015)	
Disposal proceeds settled by:		
Cash	26,008,713	
Deferred payment	8,212,877	
	34,221,590	
Cash inflow arising on disposals:		
Cash consideration	26,008,713	
Cash and cash equivalents of subsidiaries disposed	(18,685,610)	
Net cash inflow on disposal	7,323,103	

13. Investments in associates

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unquoted shares:				
At cost	4,900,000	4,900,000	4,900,000	4,900,000
Share of post acquisition reserves	-	-	-	-
	4,900,000	4,900,000	4,900,000	4,900,000
Less: Accumulated impairment losses	(4,899,999)	(4,899,999)	(4,899,999)	(4,899,999)
	1	1	1	1

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 2010 %	Proportion of ownership interest 2009 %
OICNetworks Sdn. Bhd.	Malaysia	Dormant	49	49

The summarised financial information of the associates are as follows:

	2010 RM	2009 RM
Assets and liabilities		
Current assets	3,745	25,702
Non-current assets	51	51
Total assets	3,796	25,753
Current liabilities	3,401,433	3,412,937
Total liabilities	3,401,433	3,412,937
Results		
Revenue	-	115
Loss for the year	(10,453)	(11,960)

14. Other investments

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unquoted shares, at cost	1,717,250	1,717,250	1,717,250	1,717,250
Less : Accumulated impairment losses	(1,717,248)	(1,717,248)	(1,717,248)	(1,717,248)
	2	2	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.

15. Short term investments

	Group/Company	
	2010 RM	2009 RM
Unquoted shares, at cost	40,000,000	40,000,000
Less: Accumulated impairment losses	(40,000,000)	(40,000,000)
	-	-

16. Inventories

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At net realisable value				
Raw materials	820,741	-	820,741	-
Spare parts	1,688,413	-	1,688,413	-
	2,509,154	-	2,509,154	-

17. Trade receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	4,108,888	2,874,095	4,108,888	2,874,095
Less: Allowance for impairment	(3,066,010)	(2,873,951)	(3,066,010)	(2,873,951)
	1,042,878	144	1,042,878	144

17. Trade receivables (cont'd.)

The Group's normal trade credit term ranges from 30 to 60 days (2009: 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.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2010 RM	2009 RM
Neither past due nor impaired	-	-
1 to 30 days past due not impaired	243,643	-
31 to 60 days past due not impaired	190,934	-
61 to 90 days past due not impaired	156,787	-
91 to 180 days past due not impaired	451,514	144
	1,042,878	144
Impaired	3,066,010	2,873,951
	4,108,888	2,874,095

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,042,878 (2009:RM144) that are past due at the reporting date but not impaired. No impairment is made as losses have occured infrequently.

Receivables that are impaired

The movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2010 RM	2009 RM
At 1 January	2,873,951	2,226,849
Charge for the year	192,059	1,139,647
Reversal of impairment losses	-	(492,545)
At 31 December	3,066,010	2,873,951

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

18. Other receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Due from associates	71,827	71,827	71,827	71,827
Due from subsidiaries	-	-	150	47,454
Due from related companies	4,425,132	4,862,016	4,425,132	4,862,016
Due from the Government	118,733	4,118,733	118,733	4,118,733
Deposits	353,654	424,745	353,654	353,655
Prepayments	1,988,026	1,865,288	1,988,026	1,764,293
Sundry receivables	10,119,737	12,035,949	10,554,215	12,573,479
	17,077,109	23,378,558	17,511,737	23,791,457

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

19. Cash and bank balances

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	19,386,112	22,570,480	18,939,826	19,676,418
Deposits with licensed banks	114,200,000	188,653,943	114,200,000	184,200,000
	133,586,112	211,224,423	133,139,826	203,876,418

Included in cash and bank balances of the Group and of the Company are balance of grant monies received from the Government amounting to RM 66,718,419 (2009: RM176,746,100) 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 year end are as follows:

	2010		2009	
	Weighted average interest rates % (per annum)	Average maturity Days	Weighted average interest rates % (per annum)	Average maturity Days
Licensed banks	3.30	90	3.12	90

19. Cash and bank balances (cont'd.)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	133,586,112	211,224,423	133,139,826	203,876,418
Cash and bank balances classified as held for sale (Note 9)	-	19,367,209	-	-
Total cash and cash equivalents	133,586,112	230,591,632	133,139,826	203,876,418

20. Borrowing

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Secured:				
Term loan	-	76,000,000	-	76,000,000
Maturity of borrowing:				
Current	-	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.

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

20. Borrowing (cont'd.)

(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.

As at 31 December 2010, the loan is fully settled as disclosed in Note 27 (b) and (c).

21. Other payables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Due to related companies	-	9,328,181	-	-
Due to subsidiaries	-	-	-	2,220,810
Accruals	14,999,121	12,222,597	14,983,550	12,222,597
Other	3,495,619	6,992,189	3,495,619	6,960,789
	18,494,740	28,542,967	18,479,169	21,404,196

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

22. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2010	2009	2010 RM	2009 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

23. Deferred tax

	Group	
	2010	2009
	RM	RM
At 1 January/31 December	-	-

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

Deferred tax (assets)/liabilities of the Group:

	Unabsorbed capital allowances RM	Accelerated capital allowances RM	Total RM
At 1 January 2010	(25,954,872)	25,954,872	-
Recognised in the income statement	(10,199,487)	10,199,487	-
At 31 December 2010	(36,154,359)	36,154,359	-
At 1 January 2009	(9,186,018)	9,186,018	-
Recognised in the income statement	(16,768,854)	16,768,854	-
At 31 December 2009	(25,954,872)	25,954,872	-

Deferred tax (assets)/liabilities of the Company:

	Unabsorbed capital allowances RM	Accelerated capital allowances RM	Total RM
At 1 January 2010	(25,892,906)	25,892,906	-
Recognised in the income statement	(10,199,487)	10,199,487	-
At 31 December 2010	(36,092,393)	36,092,393	-
At 1 January 2009	(9,186,018)	9,186,018	-
Recognised in the income statement	(16,706,888)	16,706,888	-
At 31 December 2009	(25,892,906)	25,892,906	-

23. Deferred tax (cont'd.)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unutilised tax losses	5,090,496	5,060,480	1,023,448	1,023,448
Other temporary differences	13,487,288	12,012,788	13,468,786	12,012,788
Unabsorbed capital allowances	70,387,288	44,125,670	70,252,922	43,991,785
	88,965,072	61,198,938	84,745,156	57,028,021

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.

24. Funds accounts

	Note	Group/Company	
		2010 RM	2009 RM
Development fund	(a)	190,280,301	208,200,772
Intensification of research in priority areas fund (IRPA)	(b)	3	3,986,738
Other funds	(c)	42,852,217	74,763,128
		233,132,521	286,950,638
Operational fund	(d)	3,341,637	-
		236,474,158	286,950,638

(a) Development fund

	Group/Company	
	2010 RM	2009 RM
At 1 January	208,200,772	133,859,065
Add : Grants received from the Government of Malaysia	91,869,415	164,138,109
	300,070,187	297,997,174
Less: Amortised to income statement:		
- Depreciation	(36,897,898)	(32,161,327)
- Other expenses	(72,891,988)	(57,635,075)
At 31 December	190,280,301	208,200,772

24. Funds accounts (cont'd.)

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

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

	Group/Company	
	2010 RM	2009 RM
At 1 January	3,986,738	3,986,738
Less: Funds distribute to approved projects	(3,986,735)	-
At 31 December	3	3,986,738

(c) Other funds

	Group/Company	
	2010 RM	2009 RM
At 1 January	74,763,128	100,136,341
Add : Grants received from the Government of Malaysia	10,911,389	3,419,300
	85,674,517	103,555,641
Less : Funds utilised for approved projects	(41,670,965)	(24,688,920)
Amortised to income statement:		
- Other expenses	(1,151,335)	(4,103,593)
At 31 December	42,852,217	74,763,128

(d) Operational fund

	Group/Company	
	2010 RM	2009 RM
At 1 January	-	1,530,156
Add : Grants received from the Government of Malaysia	84,139,442	85,872,100
	84,139,442	87,402,256
Less : Funds utilised for approved projects	-	(15,106,893)
Amortised to income statement:		
- Depreciation	(8,955,704)	-
- Other expenses	(71,842,101)	(72,295,363)
At 31 December	3,341,637	-

25. Significant related party transactions

(a) 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 regard the following to be the senior management of the Group and of the Company:

(i) Chief Operating Officer;

(ii) Chief Technology Officer;

(iii) Chief Financial Officer; and

(iv) Vice President of Corporate Human Resource.

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Executive director's remuneration				
- salaries and short-term benefits	998,160	1,062,049	998,160	1,062,000
- defined contribution plan	184,500	162,016	184,500	162,016
Non-executive directors' allowances	-	166,250	-	166,250
Other key management personnel:				
- salaries and short-term benefits	1,487,727	1,687,364	1,487,727	1,332,207
- defined contribution plan	241,472	189,851	241,472	189,851
	2,911,859	3,267,530	2,911,859	2,912,324

26. Capital commitments

	Group/Company	
	2010 RM	**2009 RM**
(a) Capital expenditure		
Approved but not contracted for	15,129,653	15,116,182

26. Capital commitments (cont'd.)

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

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

	Group/Company	
	2010 RM	2009 RM
Amounts payable within:		
1 year after balance sheet date	4,806,000	1,469,416
More than 1 year but not later than 5 years	2,403,000	2,916,213
	7,209,000	4,385,629

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 on 19 September 2007 for the provision of IT routers for the use of its research and development activities with lease period between 3 to 5 years.

27. Significant events during the year

(a) On 31 October 2010, the Company disposed of its equity interest in a subsidiary company, Malaysia Microelectronic Solution Sdn. Bhd., to Infocity Ventures Sdn.Bhd. for a total consideration of RM3,600,000.

(b) On 11 December 2009, the Company signed a Share Sale Agreement ("SSA") with Continuum Capital Sdn Bhd ("Continuum") to acquire the Company's entire ordinary share capital in Encipta Ltd. ("Encipta") for a cash consideration of USD4,250,000 plus the ringgit equivalent of the net cash balance of Encipta Ltd. as at the completion date.

The SSA was subject to the fulfillment of the following Conditions Precedents ("CPs"):

- All shareholding held by Encipta in Artisan Encipta Ltd. ("Artisan") having being sold, transferred or disposed of properly on terms acceptable to Continuum;
- The Government of Malaysia's (" the Government") written confirmation that the share sale and all shares held by Encipta in the investee companies are free from all encumbrances and charges that may have been created in favour of the Government; and
- The Government's written confirmation that has no claim whatsoever over Encipta or any of its assets including any income, benefits or profits derived from any of the investee companies or otherwise.

The disposal was completed on 8 June 2010.

27. Significant events during the year (cont'd.)

(c) On 19 March 2010, the Company received a letter from the Ministry of Finance ("MOF") for the settlement of the RM76,000,000 term loan as follows:

(i) RM36,500,000 of the loan was waived and offset against the proceeds from the sale of a former subsidiary by MOF and the actual sale value of a related company sold to MOF in prior years.

(ii) RM39,500,000 of the loan will need to be settled by the Company.

Subsequently, on 3 May 2010, the Company received another letter from the MOF instructing the Company to settle RM39,500,000 on or before 31 May 2010. The borrowing was settled on 25 May 2010.

28. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade receivables	17
Other receivables	18
Trade and other payables	21

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

29. Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies and procedures for the management of these risks and they are summarised below.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables and other receivables. For other financial asset cash and bank balances, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

29. Financial risk management objectives and policies (cont'd.)

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position with positive fair values.

Credit risk concentration profile

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors except for RM 4,968,058 (2009: RM 6,127,623) receivable from a former subsidiary. Trade receivables are non-interest bearing.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its operating cash flows and the availability of the funding to ensure that all funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investment to meet its working capital requirements. In addition, the Group maintains available unsecured banking facilities for its operating needs.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2010		
	On demand or within one year RM	One to five years RM	Total RM
Financial liabilities:			
Trade and other payables	20,866,520	-	20,866,520
Total undiscounted financial liabilities	20,866,520	-	20,866,520

29. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates.

The Group does not have any interest-bearing long term debt as at 2010. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better return than cash at bank.

(d) Foreign currency risk

The carrying amounts of financial assets and liabilities of the Group at balance sheet date approximate their fair Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from sales that are denominated in a currency other than the functional currency of the Group, RM. The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD").

The Group also holds minimal cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group does not hedge its foreign currency denominated sales.

30. Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition.

The Company is a fully funded and wholly owned subsidiary of MOF Inc. All its operations and development costs are fully funded via government grants.

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 May 2011. Liquidity

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