Transforming INNOVATIONS

ANNUAL REPORT 2007

MIMOS

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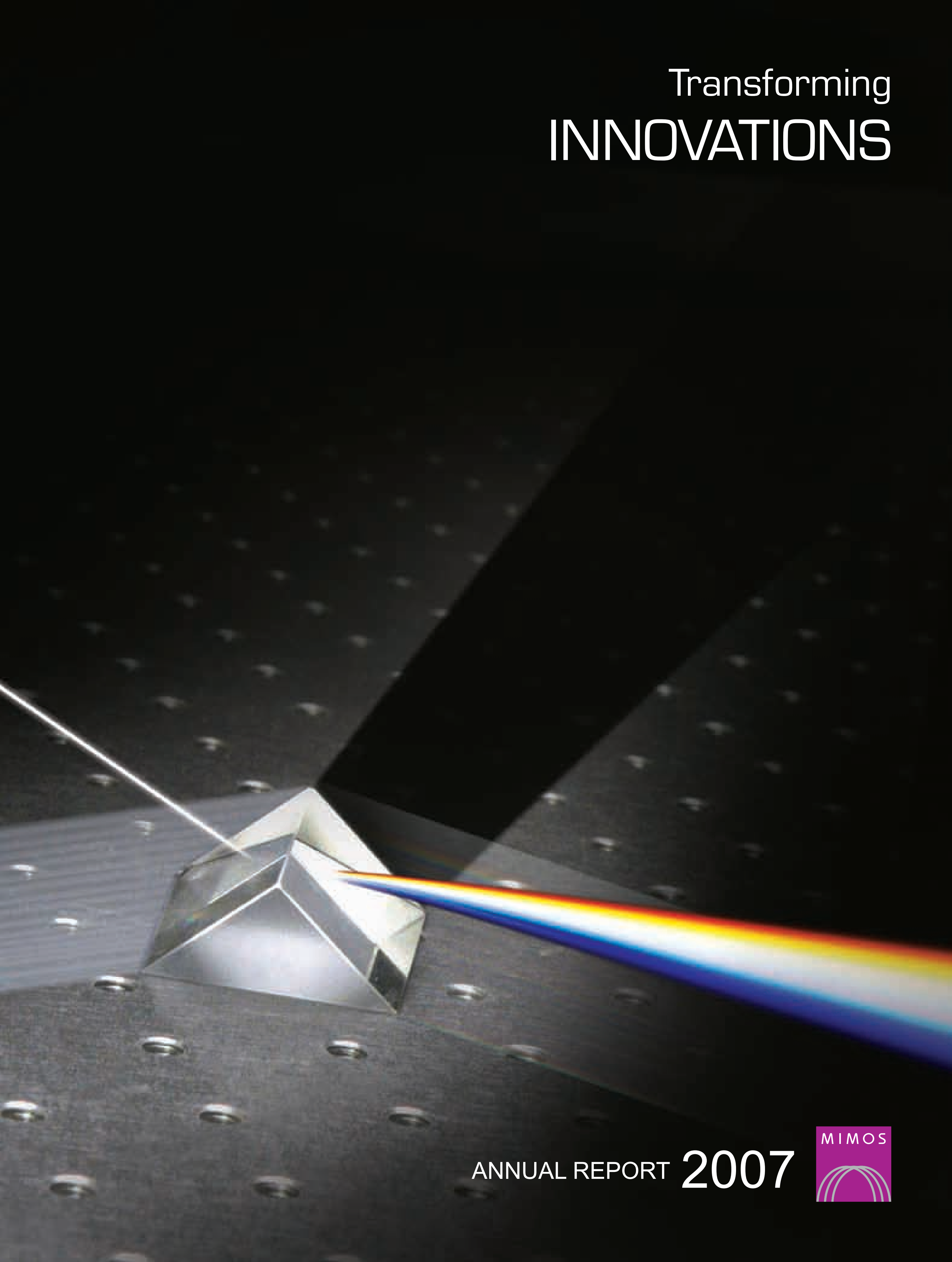

ANNUAL REPORT 2007

MIMOS

CONCEPT RATIONALE

In everyday use, a prism usually refers to a transparent material with a triangular base and rectangular sides. Prism is a very special material. It can be used to refract and break light, transforming the light into an exciting and colourful spectrum. A prism can be used for many applications to improve human lives. In optic for instance, innovative prism glasses can significantly improve the vision and daily lives of hemianopia patients who loss half of the normal field of vision.

Similarly, a multitude of approaches, strategies and continuous efforts have been channelled through MIMOS, particularly when it realigns itself to focus on frontier technologies. These steps and efforts have yield exciting outcomes, enabling MIMOS to transform innovative technologies and solutions into a fuel for the nation's economic and social growth.

This Annual Report shares MIMOS' challenging, exciting and colourful transformation journey. It also explores MIMOS achievements and the power of innovations to transform human lives.

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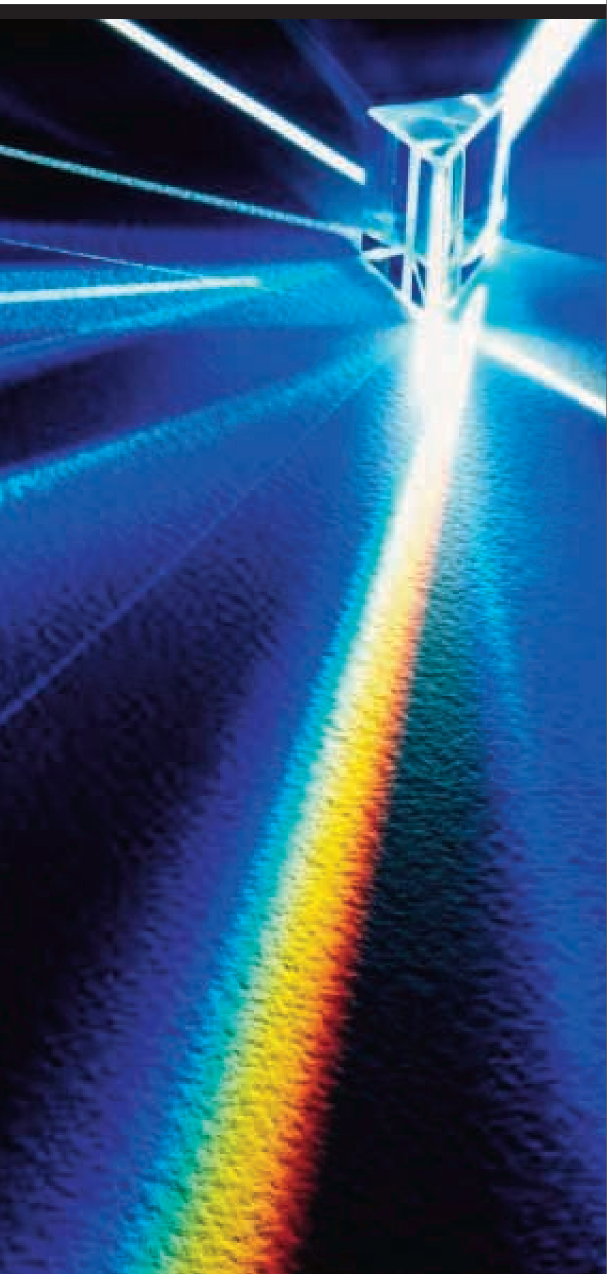


Our Vision

To be a premier applied research centre in frontier technologies

Our Mission

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

Corporate Information

Company Name : MIMOS Berhad

Company Number : 336183-H

Date and Place of Incorporation : 16 March 1995, Malaysia

Secretaries : 1. Sivadasan A/L Narayanan
2. Ng Eng Kiat

Registered Office : 11th Floor,
Wisma Tun Sambathan
No. 2 Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel: 603-22732688
Fax: 603-22742688

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

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

Auditors : Ernst & Young (AF 0039)

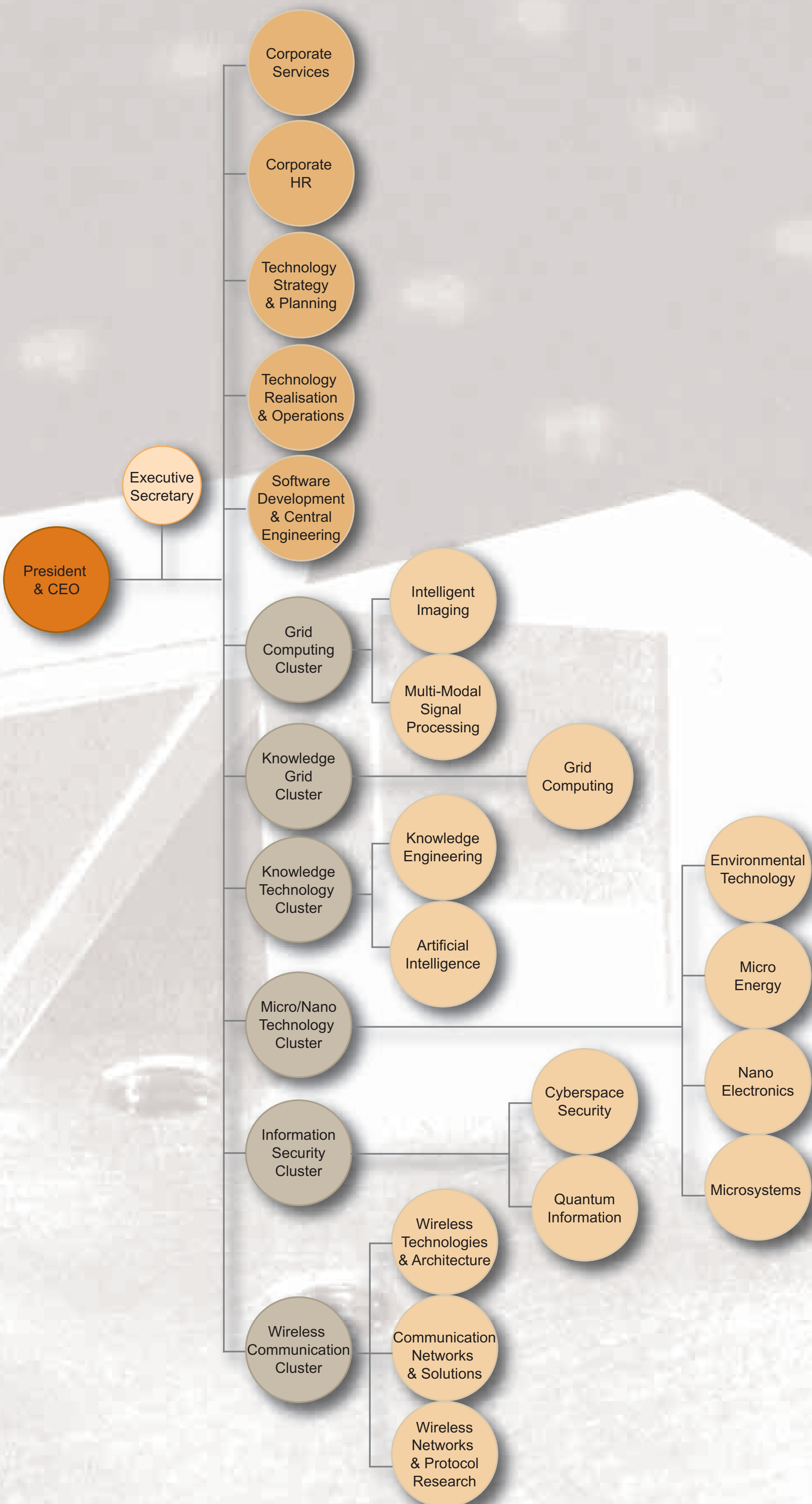
Corporate Profile

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

MIMOS pursues applied research in information and communication technologies through multi-stakeholder smart partnerships with universities, research institutes, Government and industries with a focus on frontier technologies.

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

Organisation Structure



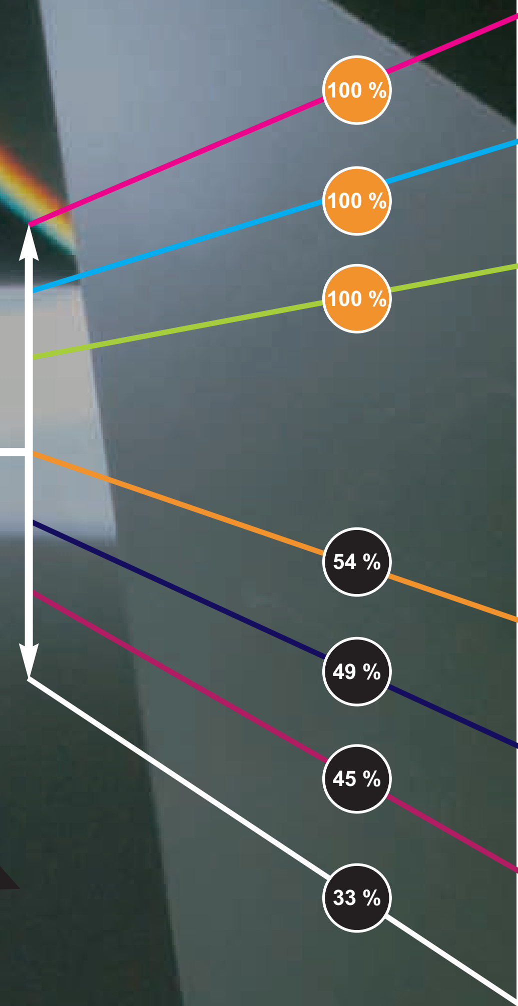
Corporate Structure

MIMOS Berhad
(Company No: 336183-H)

Date of Incorporation : 16.03.1995

Status: Active

Nature of business:
Undertake research and development in the areas of information & communication technology (ICT), microelectronics and semiconductor.



** The date the respective companies become a subsidiary/associated company of MIMOS Berhad. Information is correct as of 1 July 2008.*

MIMOS Smart Computing Sdn. Bhd. (Company No. 452374-W)
Date of Incorporation: 10.11.1997 • Nature of business: Assembly of computers for the purpose of selling and leasing of computer hardware and software.

MIMOS Semiconductor (M) Sdn. Bhd. (Company No. 498484-V)
Date of Incorporation : 10.11.1999 • Nature of Business: Provision of management and seminconductor wafer fabrication services and also trading of semiconductor wafers.

Encipta Ltd. (Company No. LL02689) [Labuan Offshore Company]
Date of Incorporation : 08.12.2000 • Nature of business: Investment holding company.

30 %

Artisan Encipta Ltd (Company No. 412464) [Exempted Company, Bermuda]
Date of Incorporation : 08.01.2002 • Nature of business: Providing investment advisory and capital management services

Malaysia Microelectronic Solutions Sdn. Bhd. (Company No. 512608-U)
Date of Incorporation : 26.04.2000 • Nature of business: Integrated circuits (IC) design & marketing of IC products.

OICNetworks Sdn. Bhd. (Company No. 512128-P)
Date of Incorporation : 21.04.2000 • Status: Dormant

Digicert Sdn. Bhd. (Company No. 457608-K)
Date of Incorporation : 12.02.1998 • Nature of business: A licensed certification authority.

Tiger Consortium Sdn. Bhd. (Company No. 568311-D)
Date of Incorporation : 09.01.2002 • Status: Dormant

Board of Directors

CHAIRMAN

1 **Datuk Shahril bin Shamsuddin**
President and Chief Executive Officer of
Sapura Group of Companies

MEMBERS

2 **Dato' Abdul Wahab bin Abdullah**
President and Chief Executive Officer
MIMOS Berhad

3 **Dato' Abdul Hanan bin Alang Endut**
Secretary-General
Ministry of Science, Technology and Innovation

4 **Dato' Larry Gan Nyap Liou @ Gan Nyap Liow**
Chairman
REDTone International Berhad and Cuscapi Berhad

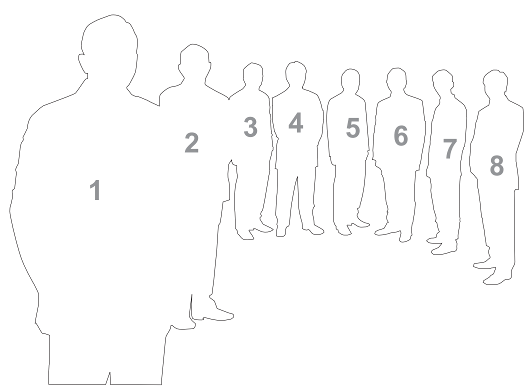
5 **Abdul Rahim bin Abdul Hamid**
Director
Pelangi Berhad and
Chemical Company of Malaysia Berhad

6 **Tuan Haji Mohammad bin Abdullah**
Chairman
Malaysia Rating Corporation Berhad

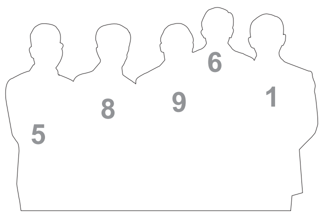
7 **Gho Peng Seng**
Deputy Under Secretary
Ministry of Finance's Investment,
MKD and Privatisation Division

8 **Mohamed Rashdi bin Mohamed Ghazalli**
Director
Sapura Crest Petroleum Berhad

** Information is correct as of 1 July 2008.*



Senior Leadership Team



1 **Dato' Abdul Wahab Abdullah**
President & Chief Executive Officer

2 **Abd Aziz Abd Kadir**
Senior Vice President
Technology Realisation & Operations

3 **Thillai Raj T. Ramanathan**
Vice President
Software Development & Central Engineering

4 **Emelia Matrahah**
General Manager
Corporate Services

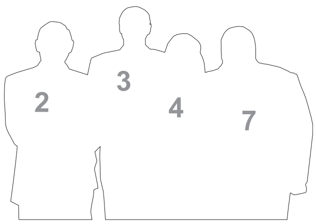
5 **Dr Chandran Elamvazuthi**
Director
Technology Strategy & Planning

6 **Prof Dr Mohamed Ridza Wahiddin**
Information Security Cluster Head

7 **Dr Dickson Lukose**
Knowledge Technology Cluster Head

8 **Prof Dr Masuri Othman**
Macro/Micro/Nano Technology Cluster Head

9 **Dr Mazlan Abbas**
Wireless Communications Cluster Head



** Information is correct as of 1 July 2008.*

Foreword by the Minister

Harnessing the Power of Innovation for the Nation

The past two years have been a period of rejuvenation and repositioning for MIMOS. As we approach 2020, I am confident that MIMOS will achieve its aim of promoting the local ICT industry to the global arena.

In line with the vision of the Ministry of Science, Technology and Innovation to realise *"Science, Technology and Innovation for Knowledge Generation, Wealth Creation And Societal Well-Being,"* MIMOS has realigned to focus on delivering technologies and technology platforms of the future for the local industry to innovate upon. I have full confidence in YBhg. Dato' Abdul Wahab as President and Chief Executive Officer and his innovative team in MIMOS to see this through. He has vast leadership experience in multinational R&D operations and brings with him tremendous passion for excellence.

Malaysia has proven that it is able to transform from an agro-based economy to one that is manufacturing and export-oriented. Continuous policy improvements and initiatives were put in place to strengthen various sectors in the light of the greater competitiveness and the integration of the world economy. In keeping with the times, Malaysia is also pushing into becoming a knowledge-based economy. Since ICT is the enabling engine of the knowledge-based economy, by anticipating ICT trends and exploiting the looming opportunities, Malaysia should succeed to compete in the global arena.

I am confident that through the research collaborations with universities and industries, MIMOS will lead the way successfully. I am sure of stellar results. It brings to mind a familiar Latin quote, "virtvits fortvna comes" meaning "good luck is the companion of courage".

I would like to thank the MIMOS team for striving to turn 2007 into yet another successful year for MIMOS. I personally believe that, with commitment and determination, MIMOS will achieve its vision and in the process contribute to making Malaysia a nation of innovative technologies and products.

Thank You and God Bless.

Datuk Dr. Maximus Johnity Ongkili
Minister of Science, Technology and Innovation Malaysia

Chairman's Message

Focusing on Frontier Technologies for the Nation

In 2006, MIMOS embarked on a new chapter, with a new captain at the helm of a rejuvenated management team. The new leadership proceeded to set a course to focus on devising and implementing a strategy to bring MIMOS towards attaining world-class stature. 2007 was thus a year of continuing these plans and seeing through this new direction.

I am pleased to report that MIMOS is now progressing well towards becoming a premier applied research centre guided by its new corporate vision and mission, structure and strategies. The focus is now on researching and developing technology platforms in information and communication technology (ICT) which offer competitive value and advantage to indigenous industries to compete globally.

The added emphasis on the repositioning of technology development and technology transfer has led to substantial streamlining of R&D activities. It even involved non-R&D units and associated organisations within MIMOS to be divested, in line with the new direction.

I believe these bold steps have helped to pave the way for MIMOS to focus on technology, and work towards becoming a world-class R&D organisation. Indeed, none of this would have been possible without the leadership and conviction shown by Members of the Board and Senior Management towards the transformation of MIMOS. I wish also to thank and applaud all the dedicated staff at MIMOS who have embraced this call for change, and for their instrumental role in creating an even stronger organisation.

Lastly, I offer my personal gratitude and sincere appreciation to the Ministry of Science, Technology and Innovation (MOSTI) for their trust, leadership and shared vision in helping MIMOS to realise its dream of becoming a global R&D player.

Datuk Shahril Shamsuddin
Chairman
MIMOS Berhad

President & CEO's Message

The year 2007 was indeed a challenging and exciting year for MIMOS. As an organisation, we underwent a swift repositioning exercise, where all resources and personnel within MIMOS were strategically aligned to meet its corporate direction. We are working on transforming MIMOS into a respected world-class R&D centre rich in creativity, talents, patents and more importantly, technologies that will transform human lives.

We have aligned our vision and mission with national aspirations and streamlined our R&D strategies into three areas namely, applied research, advanced technology and development. These strategies will steer MIMOS to meet the national technology agenda which takes into consideration all aspects of the innovation value chain such as technology trends, market space and commercialisation.

Technology leadership

As an R&D organisation, it is important that we emphasise on intellectual property (IP) generation. We have started the awareness campaign in 2006 and had implemented an IP reward scheme to jumpstart IP generation within the organisation. I am proud to share that our efforts have yielded positive results with a total of 185 patents disclosures, way beyond our target in 2007. We are genuinely proud of our researchers and engineers for their enthusiasm and dedication.

We also strengthened our commitment and cooperation with local and international bodies. We learned and accomplished a lot from working together and our efforts were rewarded with award-winning R&D projects. Our application of micro electro mechanical system in the field of precision agriculture won us recognition of R&D Organisation of the Year by Frost & Sullivan, continuing the accolades and awards we received previously for projects such as AgriBazaar, MyGfL, CA4MyKad and Forensic Investigation and Recovery Systems.

Human Resource Development

Core to our transformation, we believe, is the set of leadership core values (SATRIA 1) that we introduced in 2006. Internalising and practising these values as part of our daily tasks will result in a value-based organisation. These values promote the highest performance standards for MIMOS, which will enable us to become a world-class R&D centre. Further, the MIMOS' Code of Ethics will serve as a guideline for us to conduct ourselves without fear or favour, and with full integrity.

We believe people are our greatest assets for growth. We have put in place a strategy to ensure that the right talents are positioned at the right places. We have remobilised existing and new human resources according to their competencies and organisational needs. We have provided training, exposure and retoolling to develop new skills for those seeking new challenges or areas of responsibilities. A key competency development strategy is the MIMOS Strategic Training, Advancement & Recognition Program (M*STAR) which allows everyone at MIMOS to pursue academic or professional qualifications while working on their projects here at MIMOS.

We have also initiated a Total Wellness Programme to help everyone maintain a healthy body and a creative mind. This programme combines health awareness and physical exercise programmes conducted by qualified trainers.

To ensure quality work, we have adopted best-class-procedures such as People Capability Maturity Model (PCMM), Capability Maturity Model Integration (CMMi) and Six Sigma.

Every step of our journey has been well documented and received positive media coverage. As a result of our external communication efforts, both international and local industry players and institutions have begun to show keen interest collaborating R&D projects. We are pleased that our efforts have received constant support from our stakeholders.

Acknowledgement

I wish to thank the Ministry of Science, Technology and Innovation and MIMOS Board of Directors for their continued support and encouragement. I also wish to express my sincere appreciation to my colleagues who share the leadership burden and their relentless faith in MIMOS and me. I also wish to thank everyone at MIMOS who has shown his/her enthusiasm and willingness to embrace a new culture and meet new challenges. We will work together to achieve our vision and mission.

Thank you.

Dato' Abdul Wahab Abdullah
President & CEO
MIMOS Berhad

DRIVING
Frontier Technologies

Awards and Accolades

MIMOS continued efforts in R&D projects have received awards and accolades from both the domestic and international organisations.

For the application of micro electro mechanical system in the field of precision agriculture, MIMOS was named the Industry Innovation & Advancement (Precision Agriculture) R&D Organisation of the Year 2007 by Frost & Sullivan.

The award was conferred at the Frost & Sullivan Growth Excellence Award held in California, United States on 17 September 2007 in the presence of Frost & Sullivan's chairman David Frigstad. The same award was later presented by Prime Minister Datuk Seri Abdullah Ahmad Badawi at the National Innovation Conference & Exhibition (NICE) 2007 on 30 November 2007.

The award recognised MIMOS for its broad and comprehensive participation in the industry and its contributions to the advancement of the market. MIMOS applied research in MEMS, one of the eight applied research focus areas, involves exploring microfluidics and complementary metal-oxide-semiconductor (CMOS) sensing technologies for developing MEMS-based applications and solutions.

Growing Intellectual Property

At MIMOS, we appreciate intellectual property (IP) creation. We have already started an organisation-wide IP awareness campaign and an internal IP reward scheme to encourage IP creation within MIMOS. A researcher's performance and progress is partly reflected and gauged by the number of disclosures. Currently, the minimum measure is one IP disclosure approved by the IP committee (IPC) per year per person.

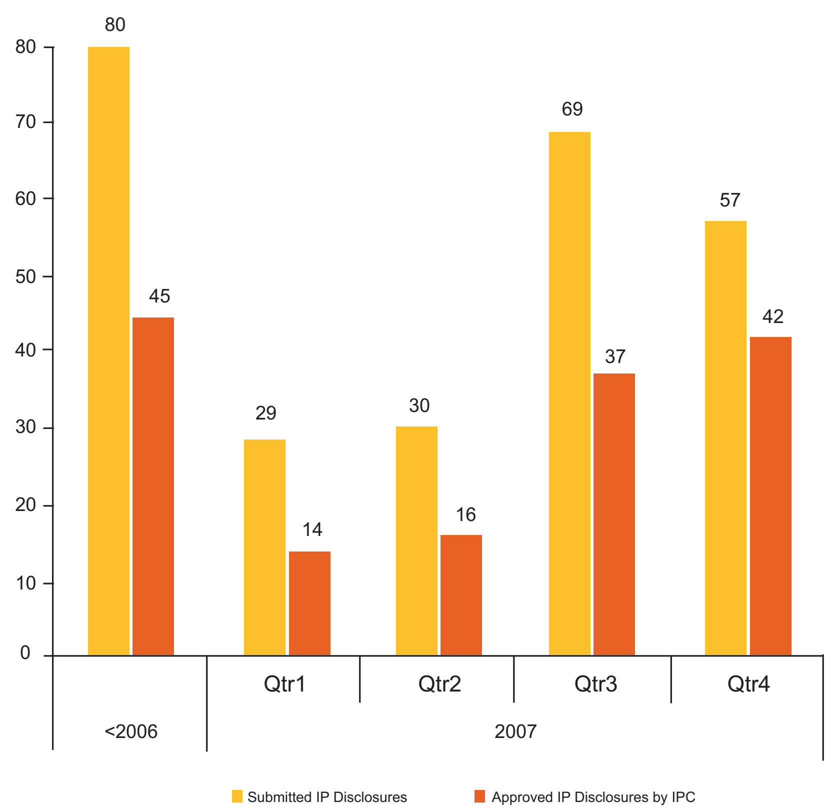
Under the IP reward scheme, those whose IP is/are approved by IPC will receive RM300 reward. Each IP filed will be rewarded with RM3,000 and the next IP approved by MyIPO sees the applicant rewarded with RM1,000.

For commercialised patents, inventors will receive 55% of the net royalty received. This remuneration mode is in line with Government's initiative to reward and recognise indigenous IP contribution to the country.

To further encourage and recognise inventors, we have produced a "badge scheme". Inventors who have filed a minimum of five patents are given a "gold employee badge," and those who have filed a minimum of 10 patents are given a platinum employee badge.

Our efforts since 2006 have yielded impressive results. In 2007, we had 185 IP disclosures and 76 IP filed at MyIPO in the various technology fields that MIMOS engages in.

Status of Submitted IP Disclosures vs Approved IP Disclosures by IPC until end 2007



Defining Standards and Roadmap

In 2007, MIMOS had participated in various technical standards committees. Involvement in these technical committees helps MIMOS to actively contribute in the setting of standards and guidelines for the fields that we are involved in.

At the local front, MIMOS had participated, among others, in the Next Generation Network Working Group and IPv6 Working Group chaired by the Malaysian Technical Standards Forum Berhad (MTSFB). Both working groups make recommendations to be considered for the adoption of the Next Generation Network and IPv6 guidelines for the country.

At the international front, we participated in the WiMAX Forum, Digital Home and Internet Engineering Task Force (IETF), to name a few. The WiMAX Forum is formed to certify and promote the compatibility and interoperability of WiMAX products with the goal to accelerate the introduction of these systems into the marketplace. Digital Home focuses on delivering an interoperability framework of design guidelines based on open industry standards to complete the cross industry digital convergence while IETF is an international community of network designers, operators, vendors and researchers concerned with the evolution of the Internet architecture and the smooth operation of the Internet.

MIMOS will continue to actively promote a co-operative environment to address national or international issues involving technical standards, technical codes and development of operational guidelines for the industries, particularly those concerning ICT and frontier technologies.

Knowledge Grid Malaysia

KnowledgeGrid Malaysia was launched on 20 August 2007. This national grid computing initiative is aimed at providing a national infrastructure that maximises high performance computing resources to accelerate research and development for national wealth and value creation.

Projects ranging from biotechnology, automotive, mechanical simulation to weather modelling are now on KnowledgeGrid Malaysia. The next phase of KnowledgeGrid Malaysia will involve enhancing the infrastructure and increasing research collaborations with local and foreign research institutions and local industries; while the final phase will involve rolling out the KnowledgeGrid Malaysia nationwide.

Innovating Technologies and Platforms

In 2007, MIMOS continued R&D programmes towards innovating technologies and platforms. These programmes focused on eight technology thrust areas that reflect national and global needs.

MIMOS held two significant events in 2007. First, Roadmap Technology Review (RMTR) to showcase our technologies to the shareholders and Board of Directors and second, MIMOS Technology Forum to inform the industry of our R&D efforts.

MIMOS Technology Forum was held December 2007, showcasing its proof-of-concept technologies that can be commercialised. The one-day forum was attended by more than 200 key industry players in telecommunications and information and communications technology (ICT) sectors from both local and multinational companies.

The Technology Forum is also a platform to attract key industry players and potential technology recipients, for licensing and commercialisation of MIMOS technologies. Two technologies, SEDS and CA4 MyKAD, have been licensed for commercialisation.

Both MIMOS RMTR and Technology Forum are steps towards realising our vision of becoming the premier applied research centre in frontier technologies. The initiatives and R&D direction taken by MIMOS are in alignment with MIMOS' focus of being a leader in applied research in frontier technologies as well as the Ministry of Science, Technology and Innovation's vision of Knowledge Creation, Wealth Creation and Societal Well-being.

Our focus in applied research areas are based on real-world trends and national needs. The research areas are:

1. **Cyberspace Security**
   Cyberspace is an ever-expanding complex digital network, linking various aspects of life. While cyberspace offers efficiency and productivity for both business and communications, it is prone to digital threats.

   As a sovereign nation, it is imperative that we become vigilant and protect our interests in this digital environment from being infiltrated by sinister forces. MIMOS has the necessary experience and expertise to develop indigenous cyber security technologies to maintain e-sovereignty.

2. **Encryption Systems**
   Computer encryption is based on cryptography which is the science of coding messages to ensure its real content is not revealed to unauthorised parties. With the advent of the Internet, computer encryption is used everyday by the government, military, corporations and ordinary users to ensure messages and documents sent are not intercepted and read by anybody except for the intended recipients.

   Encryption systems also ensure the integrity of data during transmission and assurance of service availability, continuity and non-repudiation. In this respect, we are researching encryption technologies towards developing highly secured encryption systems to ensure that the government and business transactions in the country will not have to rely on off-the-shelve encryption systems, which may not provide total security.

3. **Grid Computing**
   Grid Computing is distributed large scale computing that coordinates the sharing of complex computational power across geographically dispersed organisations on a network.

   We have developed KnowledgeGrid Malaysia which offers computing and collaborative resources on bioinformatics, product design, manufacturing, multimedia, financial analysis, defence, public safety and natural disasters & climate studies. Organisations can use our compute-intensive tools, applications and data storage for advanced research, for example, in DNA research and drug design to accelerate biotechnology initiatives.

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

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

5. **Advanced Informatics**
Informatics is the science of information which studies the representation, processing, and communication of information in natural and artificial systems.

Our role is to research and develop innovative techniques related to the processing and representation of information for practical problems with commercial potential. In particular, we aim to excel in the areas of image processing and pattern recognition.

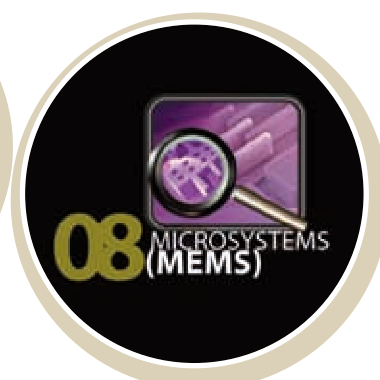
6. **Knowledge Technology**
Language is an expression of knowledge, and knowledge is the essence of intelligence, which cuts through different languages, and various modes of communication through text, speech or image. Semantic Technologies represent a new wave in computing which aims to make the meaning of data explicit and machine processable for improved interoperability, searching and querying.

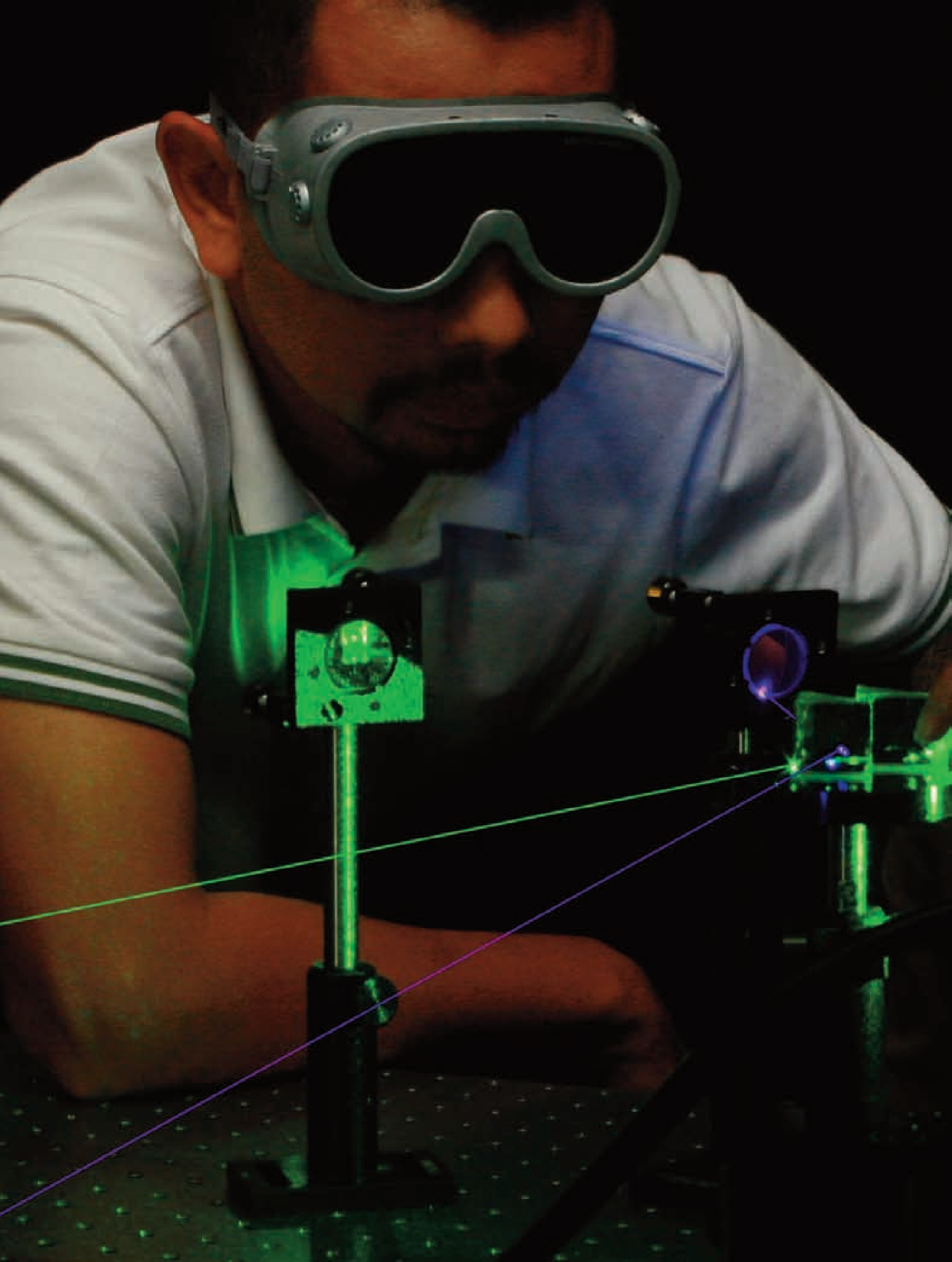
Knowledge Representation can be defined as the application of logic and ontology to the task of constructing computable models of some domain. An ontology defines the terms used to describe and represent an area of knowledge (subject matter). It is the model (set of concepts) for the meaning of those terms. It defines the vocabulary and the meaning of that vocabulary.

7. **Micro Energy Systems**
MIMOS is pursuing new research in the area of micro energy systems. We are focusing on producing very powerful miniaturised energy systems, which are needed to power the gadgets of the future.

8. **Microsystems & MEMS**
Microsystems and MEMS (micro electro mechanical systems) technology is about miniaturised devices consisting of both mechanical and electronic components.

We are exploring microfluidics and CMOS sensing technologies for developing MEMS-based applications and solutions. One research consideration is the development of networked in-situ water and soil monitoring systems for increasing yield and quality of agriculture produce. Another potential research area is instrument miniaturisation for chemical analysis.





BUILDING
Smart Partnership

Fresh Engagement Model

Aside from a clear vision and mission, we now have a fresh engagement model to complement our research functions with that of universities to support the indigenous industry's R&D needs.

Research outputs from collaborative efforts with universities, and research institutes, both local and foreign, are channelled towards development of technology platforms. These market-driven technology platforms are then channelled to the local industry players for development of vertical industries.

Research collaboration with universities and academic institutions

In June 2007, MIMOS signed agreements with 13 universities. The 13 universities and their areas of technological focus are:

University of Malaya
Image and signal processing; material and devices in micro and nano-electronics and grid-high performance computing (HPC) sciences.

Universiti Sains Malaysia (USM)
Micro electro mechanical systems (MEMS) design, specifically in the domain of biosensor and chemical sensor; application in agriculture.

Universiti Kebangsaan Malaysia (UKM)
Microelectronics, MEMS sensors and actuators and nano technology.

Universiti Putra Malaysia (UPM)
Advanced informatics and bioinformatics.

Universiti Teknologi Malaysia (UTM)
Advancement in biometrics technology towards the establishment of a National Biometric Technology Cluster.

Universiti Teknologi Mara (UiTM)
Advanced level of industrial design that will help in developing products using frontier technologies.

International Islamic University of Malaysia (IIUM)
Cyberspace technologies for e-sovereignty and research in four technologies namely information security, grid computing & bioinformatics, microelectronics, and language & learning technologies.

Universiti Utara Malaysia (UUM)
Advanced ICT research especially in the areas of advanced informatics, wireless broadband, information security, knowledge technology, artificial intelligence and grid computing.

Universiti Malaysia Sarawak (UNIMAS)
Intelligent recognition techniques and pattern recognition from a computational and human cognition approach.

Multimedia Universiti (MMU)
Wireless communications, biometrics, knowledge technology and grid computing.

Universiti Tenaga Malaysia (UNITEN)
Trusted computing research and development specialising in security layer services for trusted systems, trusted systems testing and verification and trusted mobile applications.

Universiti Kuala Lumpur (UniKL)
R&D, technology transfer and commercialisation in advanced informatics, wireless broadband, information security, knowledge technology, artificial intelligence, grid computing and microelectronics and semiconductors.

MUST Ehsan Foundation
Improving Mobile Internet Protocol version 6 (MIPv6), making it more deployable and robust.

The research collaborations with the 13 local universities further strengthens MIMOS network of dedicated partners and provides MIMOS with the opportunity to pool strengths and tap into a wealth of expertise.

Research collaboration with industries

MIMOS' focus is on market-driven applied research in frontier technologies aimed at growing globally competitive indigenous industries. As such it is important for us to also collaborate with industry aimed at moving up the technology value chain.

Our research collaborations with the industries include the setting up of centres of excellence, and joint projects.

Some of the MoUs were:
- MIMOS-Electronics and Telecommunications Research Institute (ETRI) of South Korea on applied R&D in micro energy systems, and MIMOS-Industrial Technology Research Institute (ITRI) of Taiwan on advanced semiconductor materials for broadband devices.
- MIMOS-IBM to establish joint Software Assessment and Development Centre (SAD), designed to provide software assessment services to local organisations.
- MIMOS-SGI's agreement to empower local research communities with high performance computing (HPC) and to strengthen Malaysia's advanced computing and grid capabilities.
- MIMOS-Cisco to collaborate on the establishment of the Asian Centre of Excellence in Networking Technologies (ACENT).
- MIMOS-King Abdul Aziz City for Science and Technology to promote and encourage cooperation in R&D in the field of ICT over the next five years.

National Angkasawan Programme

History was made on 10 October 2007 when Dr Sheikh Muszaphar Shukor became the first Malaysian in space. He joined two other cosmonauts aboard a Soyuz space craft that successfully landed on the International Space Station (ISS).

MIMOS Berhad, together with other agencies under the Ministry of Science, Technology and Innovation, was involved in the coordination of National Angkasawan Programme. MIMOS played the crucial role of bringing in the live communication through a radio link with the ISS made from a satellite ground station at the National Planetarium.

MIMOS also was tasked to raise awareness especially among the students nationwide. As part of the Ministry of Science, Technology and Innovation space awareness campaign, retired NASA astronaut Robert “Hoot” Gibson was flown to Malaysia to share his vast experience on the space shuttle missions. MIMOS was chosen by the Ministry to manage Captain Gibson’s programme which involved giving lectures and talking to Malaysians from all walks of lives on space technology and its applications.

Engaging Communities

Throughout 2007, MIMOS had initiated programmes with the support of MOSTI to connect communities through ICT, especially those living in rural areas. This is in line with the Government's aspiration and call to bridge the digital divide. We also believe that the ICT revolution should reach all levels of society regardless of who or where they are.

Some of our community programmes included:

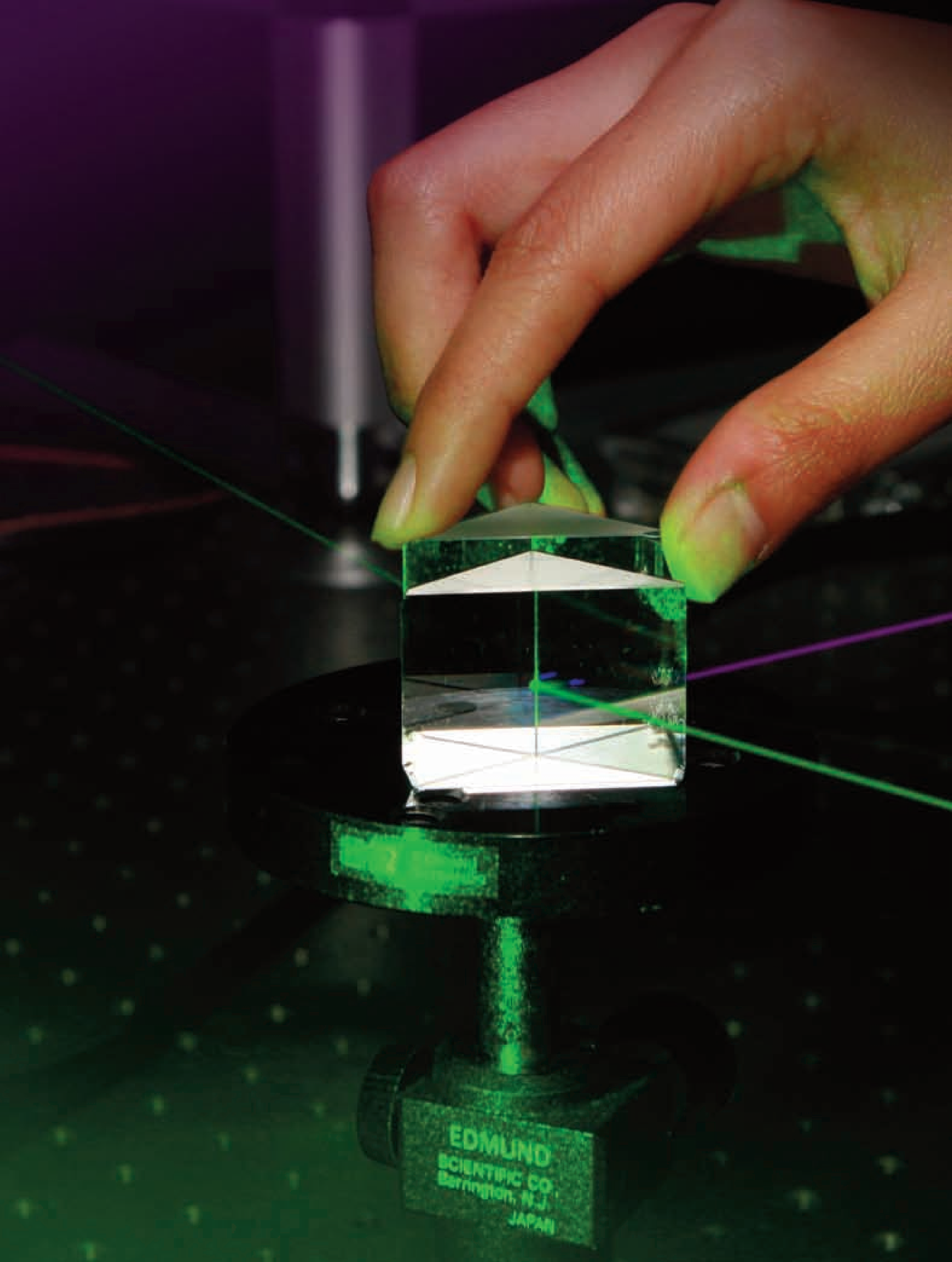
K-School
One of our initiatives was spearheading the K-School pilot project as part of the MOSTI's programme to improve education delivery and school administration through ICT-based systems and tools. The objective of this project is to ensure Malaysia's long-term competitiveness in the k-economy. A few schools including Sekolah Menengah Bukit Iban, Pahang were chosen as the pilot sites.

NICE 2007
National Innovation Conference and Exhibition 2007 (NICE 2007) was opened on 30 November by Prime Minister Datuk Seri Abdullah Ahmad Badawi. MIMOS participated at NICE 2007 by showcasing its applied research technologies including Makcik PC which stole the limelight. Aiming at bridging the digital divide, Makcik PC would be able to benefit the technology have-nots in the country.

K-Wheels
With the success of the Scientific Excellence in Islamic Civilisation Exhibition which ended on February 2007, the Ministry of Science, Technology and Innovation had organised a road tour of the exhibition to eight states in the Peninsular Malaysia.

MIMOS had refurbished its Mobile Internet Unit (MIU), now known simply as K-Wheels, to become a mobile exhibition of interactive and multimedia showcases. The journey started on 5 March until 4 April 2007. Throughout the month-long journey, the mobile exhibition attracted more than 50,000 visitors nationwide.

The public and media's response to MIMOS initiatives has been encouraging. In 2007, MIMOS received overwhelming positive coverage for its outreach activities. We will continue to work with the Government, civil societies and communities to bring the benefits of ICT and technologies to the people.


EDMUND
SCIENTIFIC CO.
Barrington, N.J.
JAPAN

BUILDING
Organisational Excellence

Leadership Core Values

At MIMOS, we recognise the importance of having a shared set of values for forging a common bond. This set of shared values, known internally as Strategic Advanced Technology Roadmap for Innovative Application (SATRIA) is seen as the foundation for nurturing a dynamic high-performing organisation.

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

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

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

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

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

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

7 **Teaming as a Way of Life**
Able to develop cooperation and collaborative work efforts towards 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.

In achieving its vision to become a premier applied research centre in frontier technologies, MIMOS has unveiled SATRIA, a set of eight execution strategies.

The SATRIA has eight execution strategies namely:

SATRIA 1: LEADERSHIP CORE VALUES
SATRIA 2: APPLIED RESEARCH FOCUS
SATRIA 3: ADVANCED TECHNOLOGY ROADMAP
SATRIA 4: DEVELOPMENT OF TECHNOLOGY PORTFOLIOS
SATRIA 5: MARKET FOCUS
SATRIA 6: SMART PARTNERSHIP
SATRIA 7: SUSTAINING GROWTH
SATRIA 8: RULES OF ENGAGEMENT

Building Foundation with Integrity

To strengthen and formalise our inherent culture of integrity, we have carved MIMOS Code of Ethics for our core ethical practices. MIMOS Code of Ethics comprises 13 major items addressing ethical practices which are manifestations of our Say-Do culture. This code will serve as a shining beacon, a strong reminder to aid in our consistent conduct without fear and favour, and with integrity. It serves to reassure and set an expectation level for all stakeholders, including our internal and external customers and suppliers.

Such a code is crucial to inculcate the "Uncompromising Integrity" value which is the first of our SATRIA's Leadership Core Values. To show our seriousness, 28 September is being commemorated and celebrated as MIMOS Ethics Day. Further proof of our firm resolve to practice high ethical standards is derived from the voluntary Declaration of Compliance to this Code by everyone at MIMOS.

A MIMOS Ethics Compliance Committee was formed and tasked with the responsibility for resolving disputes which involve ethical issues. This committee is chaired by MIMOS President and CEO with Corporate Human Resources (CHR) division Vice President as the Ethics Compliance Programme Officer and the Internal Audit Department serving as the committee's secretariat. The VP of CHR will spearhead the implementation of MIMOS Code of Ethics.

Capacity and Capability Development

Our efforts to become a best-in-class organisation have been accelerated by adopting several quality assurance processes. These best-in-class processes and methodologies such as Six Sigma, Capability Maturity Model Integration (CMMI) and People CMM (P-CMM) have been implemented by world-class organisations like GE, Motorola, DuPont, Raytheon and other international R&D giants.

Six Sigma

Six Sigma is a business management strategy that has wide-spread application in many sectors of industry. It was originally developed by Motorola as a set of practices designed to improve manufacturing processes and eliminate defects.

Six Sigma uses a set of quality management methods including statistical methods to measure the degree of deviation or defect in a given process. The central idea behind Six Sigma is that if the number of deviations or defects can be measured in a process, then defects can be systematically reduced in order to get as close to a "zero" defect status.

This business management strategy creates a special infrastructure of people within the organisation (for example White Belts, Green Belts and Black Belts) who are experts in these methods. Each Six Sigma project carried out within an organisation follows a defined sequence of steps and has quantified financial targets (cost reduction or profit increase). To attain a Six Sigma quality status, the deviation in a process must be less than 3.4 defects per million opportunities or chance for non-conformance i.e. not meeting the required specifications.

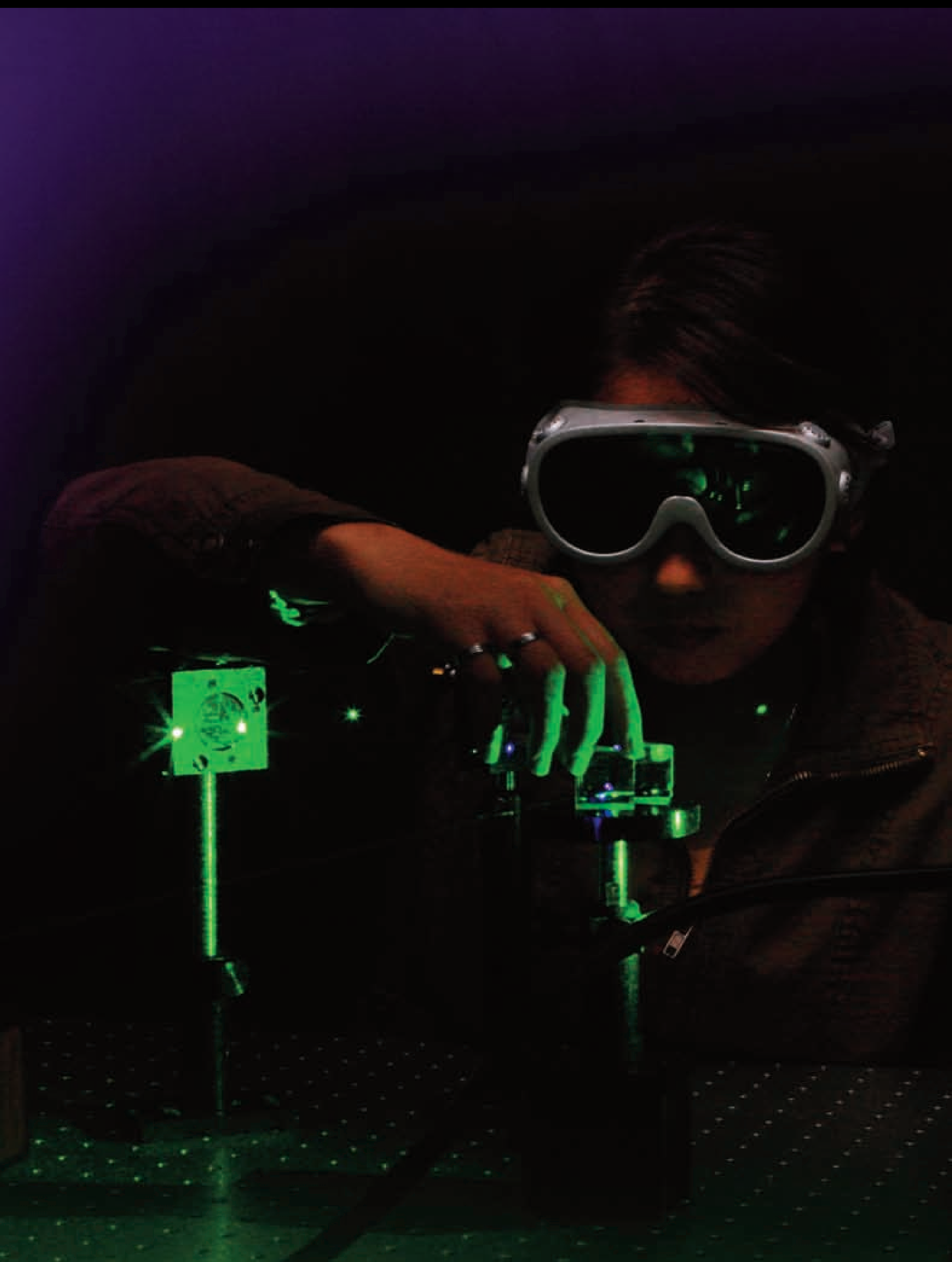
As an organisation that strives for excellence, MIMOS needs to consistently meet this standard. This means we need to have a mindset and practice to be nearly flawless when executing key processes. At the end of 2007, we obtained eleven Six Sigma Green Belt and more than 300 White Belt certifications. In 2008, we expect to increase the number of Green Belts and to have Black Belts certifications.

CMMI and P-CMM

Both CMMI and P-CMM provide a framework for managing processes and human resources; and integrating activities across an organisation. Both models were developed by Carnegie Mellon University's Software Engineering Institute and widely adopted to achieve continuous process improvements (CMMI) and human resources development (P-CMM) in a software engineering organisation.

Studies have shown that an organisation with high maturity level can experience substantial financial savings, improved quality and productivity, faster project completions and less variance in project delivery.

On 7 September 2007, MIMOS achieved CMMI Level 3 and on 13 September 2007, P-CMM Level 2. With these achievements, MIMOS became the first government agency to achieve both CMMI Level 3 and P-CMM Level 2 in Malaysia.



SEEKING
World-Class Excellence

Advancing the Human Capital Development

The MIMOS Strategic Training Advancement and Recognition (M*STAR) programme allows everyone at MIMOS to further develop their knowledge and expertise. It enables staff to enhance and pursue higher academic or professional qualifications while working on their R&D projects at MIMOS.

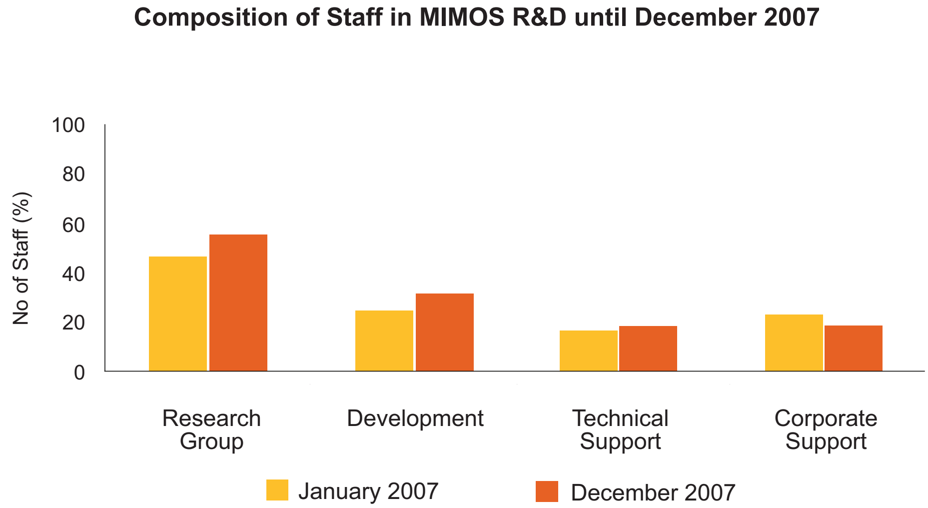
M*STAR allows MIMOS' employees to translate their current work into academic credits. These academic credits can then be used to complete post graduate degrees (Masters and/or PhD), professional qualification such as professional engineering membership, or to achieve patent recognition in line with the patent reward scheme.

Under the M*STAR programme, MIMOS will provide full tuition fees as per company policy to high performing staff who pursue a Masters and Doctorate degree in an approved area of research. The company had approved staff pursuing PhD and Masters, mostly in the area of macro and nano, knowledge technology, software development and engineering and information security.

This programme also provides financial aid to those who desire to pursue a professional certification in recognised institutions for a selected profession. Examples of these professional certifications are Project Management Program, Microsoft Certified System Administrator and other Microsoft-certified programmes, Certified Information Security, and International Software Testing Qualifications Board's (ISTQB) certification.

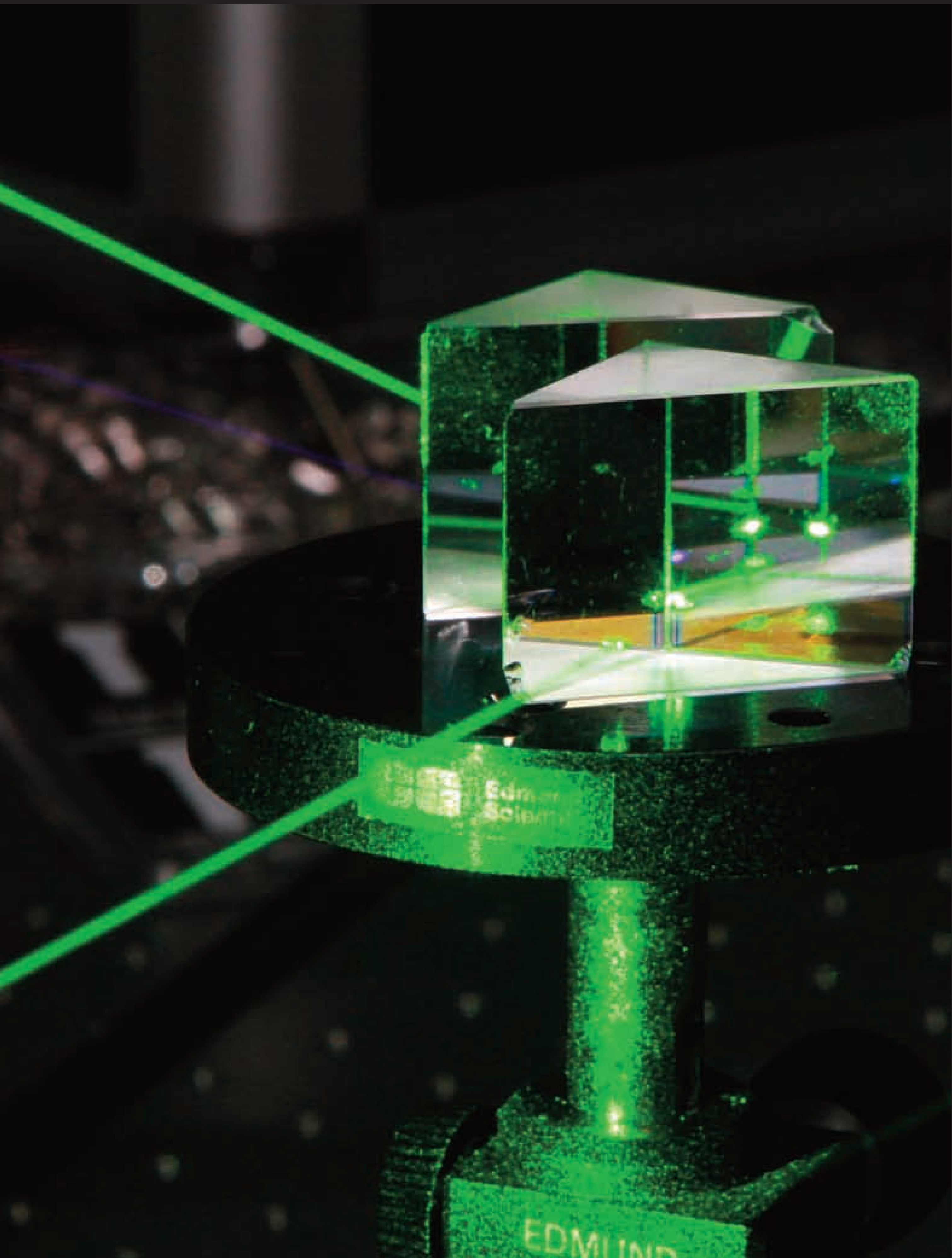
The M*STAR complements the company's other initiatives mentioned earlier namely in the area of IP creation; and proficiency certifications including Six Sigma.

Enlisting World-Class Talents



High performing employees are key ingredients for success in any organisation, and enlisting world-class talents has been our hallmark. Since 2006, our corporate restructuring exercise has centred on people and technology development, with emphasis on personal development, competency, integrity, and an innovation culture.

As of December 2007, the number of R&D professionals with PhD rose by 31% and Masters by 30% from January 2007. Staff strength had also been increased with more than half of them being in research, development and technical support.



CORPORATE
Milestone

Events in 2007


11 January


2 February


15 - 16 February


15 February


1 March

JANUARY 2007

8 – 14 FEBRUARY
MIMOS participated in The Scientific Excellence in Islamic Civilisation Exhibition: Islamic Science Ahead of Its Time held at Kuala Lumpur Convention Centre.

17 JANUARY
Launched of health and wellness programme Jom Sihat!

19 JANUARY
MIMOS' President & CEO, Dato' Abdul Wahab appeared as guest in TV3's The Exchange programme.

23 JANUARY
Visit from Tunku Abd Rahman College, Kuala Lumpur.

FEBRUARY 2007

2 FEBRUARY
MIMOS signed an MoU with the Higher Education Ministry, together with other 32 private companies aimed at providing training to community college.

5 FEBRUARY
Visit from Economics Planning Unit, Prime Minister's Department.

12 FEBRUARY
Media briefing on Grid Computing.

22 FEBRUARY
MyGfL & ePusara Handover.

15 & 16 FEBRUARY
MIMOS held R&D Workshop attended by its senior leadership team and first line R&D managers to set the execution of MIMOS' 9th Malaysia Plan (9MP).

27 FEBRUARY
Signing of MoU between MIMOS, Multimedia Development Corporation (MDeC) and Islamic Development Bank (IDB) based in Jeddah.

MARCH 2007

1 MARCH
Launched of Second Phase of Total Wellness Programme at Auditorium.


13 March


15 March


21 March


4 April

24 April

6 MARCH
MIMOS participated in The Scientific Excellence in Islamic Civilisation Exhibition: On Wheels. MIMOS has refurbished its Mobile Internet Unit (later known as K-Wheel) to be the multimedia and interactive showcases for mobile exhibition.

9 MARCH
MIMOS signed MoUs with South Korea-based Electronics and Telecommunications Research Institute (ETRI) laboratory; and Taiwan-based Industrial Technology Research Institute (ITRI) laboratory.

13 March
Flossworld Workshop at Bukit Jalil Country & Golf Resort.

15 March
Launched of MOSTI's K-School project, spearheaded by MIMOS to improve education delivery and school administration through ICT-based systems and tools to ensure Malaysia's long-term competitiveness in k-economy.

20 March
MIMOS and IBM Malaysia signed MoU to establish joint Software Assessment and Development Centre (SADC), designed to provide software assessment services to local organisations.

21 March
MIMOS and SGI sealed an agreement to empower local research community with high performance computing (HPC) and to strengthen Malaysia's advanced computing and grid capabilities.

26 March
MIMOS and Malaysia Indian Congress signed an MoU to collaborate on ICT development at Putra World Trade Centre.

APRIL 2007

4 APRIL
Visit from Cuban delegation headed by Minister of Informatics and Communications Ramiro Valdes Menendez.

The Scientific Excellence in Islamic Exhibition: On Wheels ended, drawing more than half a million visitors throughout Perak, Penang, Kedah, Perlis, Kelantan, Terengganu, Pahang, Johor and Negeri Sembilan.

24 APRIL
MIMOS received visit from Islamic Republic of Iran's Minister of Communication and Information Technology Dr Mohammad Soleimi.

1 June

5 June

26 June

28 June

4 July

MAY 2007

17 MAY
MIMOS' President and CEO Dato' Abdul Wahab Abdullah received the Darjah Dato' Panglima Sirahuddin Jamalullail (DPSJ) by DYMM Tunku Raja Perlis in conjunction with His Royal Majesty's birthday.

JUNE 2007

1 JUNE
Official Opening of MIMOS Clinic by Ministry of Science, Technology and Innovation Secretary-General Dato' Abdul Hanan Alang Endut.

5 JUNE
MIMOS held gala dinner to mark its first year journey since corporate restructuring exercise at Palace of the Golden Horses, Kuala Lumpur.

10 JUNE
MIMOS formalised its collaboration with Kedah ICT Holdings Sdn Bhd (KICT) to promote AgriBazaar and transfer of technology to KICT for the development of Kedah's portal utilising MyGfL.

26 JUNE
MIMOS sealed research collaborations in frontier technologies with 13 local universities aimed at creating the MIMOS virtual research team.

28 JUNE
MIMOS and Cisco Malaysia signed MoU to formalise collaboration for the establishment of the Asian Centre of Excellence in Networking Technologies (ACENT).

JULY 2007

2 JULY
MIMOS received Indonesian delegation led by the Honourable Ir Tataq Wiranto, Deputy Minister of Economic and Private Business Development.

4 JULY
Former MIMOS President and CEO Dr Mohd Tengku Azzman Shariffadeen honoured through the proclamation of Auditorium Dr Mohd Tengku Azzman Shariffadeen.

14 JULY
MIMOS participated in an exhibition held in conjunction with Deputy Prime Minister YAB Dato' Seri Najib Tun Razak's visit to Muadzam Shah, Pahang. MIMOS booth showcased 3M initiatives (K-Mosque and K-School), AgriBazaar and MyGfL.

16 JULY
MIMOS received a visit from delegate of the King Abdulaziz City of Science and Technology (KACST), Saudi Arabia.

20 - 23 July

20-23 JULY

MIMOS participated in the Minggu Sains Teknologi dan ICT (MISTI) Negeri Johor 2007. The event was launched by Johor Menteri Besar YAB Dato' Abdul Ghani Othman at Persada Johor International Convention Centre.

25 July

25 JULY

MIMOS held its second town hall session, themed "Edge in Performance", for 2007 at Auditorium Tengku Datuk Dr Mohd Shariffadeen. Forty-six patent inventors received disclosure certificates from Dato' Abdul Wahab for their efforts.

MIMOS received a visit from the National Science and Technology Department Agency (NSTDA) of Thailand, an organisation mandated by the Thai Government to strengthen and enhance Thai science and technology capabilities.

27 - 29 July

27-29 JULY

MIMOS participated in Perkampungan Hadhari held at Besut's District Council compound in Gong Kemuntong. MIMOS' participation was aimed to create awareness on its role and function as well as promoting ICT and its benefits to the local community.

AUGUST 2007

4 AUGUST

MIMOS K-Wheels stole the limelight at Sekolah Menengah Kebangsaan Dato' Onn's Canteen Day. MIMOS participation was aimed to create awareness and promotion of ICT and its benefits to the students, teachers and parents.

7 - 8 August

7-8 AUGUST

MIMOS K-Wheels drew attention in Tanjong Malim, Perak, when it participated in Universiti Pendidikan Sultan Idris (UPSI) Majlis Upacara Permasyhuran Perpustakaan dan Pelancaran Hari ICT 2007.

9 August

9 AUGUST

MIMOS received a visit from Minister of Science and Technology of Mozambique, Dr Venancio Massinque.

15 AUGUST

MIMOS received a visit from delegate of the Ministry of Science and Technology of Kenya.

20 AUGUST

MIMOS launched KnowledgeGrid Malaysia aimed at providing a national infrastructure that maximises high performance computing resources.

27 AUGUST

MIMOS received a visit from Dr Khaled Alghatbar of King Saud University.


7 September

18 September


26 September


1 October


4 October


9 - 22 October

SEPTEMBER 2007

6 SEPTEMBER
MIMOS sealed MoU with the Malaysian Institute of Integrity (IIM) in Putrajaya International Convention Centre to formerly commemorate partnership between both organisations.

7 SEPTEMBER
MIMOS received a visit from Asia Pacific Regional Scout ICT Workshop participants.

18 SEPTEMBER
MIMOS named the Industry Innovation & Advancement (Precision Agriculture) R&D organisation of the Year by Frost & Sullivan, through its application of Micro Electro Mechanical System (MEMS) in the field.

26 SEPTEMBER
MIMOS and SCAN Associates signed an MoU to further develop and commercialise MIMOS research technologies.

OCTOBER 2007

1 OCTOBER
MIMOS held special event to commemorate MIMOS Integrity Day. MIMOSians congregated at Auditorium Dr Tengku Mohd Azzman Shariffadeen to take part in the integrity pledge, led by MIMOS Integrity & Ethics Compliance Programme Officer Hasnah Ismail.

3 OCTOBER
MIMOS and International Islamic University launched Cyberspace Security Lab, marking a new beginning for cutting-edge research in information security in Malaysia.

4 OCTOBER
MIMOS joined Buka Puasa event to celebrate the spirit of Ramadhan at Al Ikhsan mosque, Bandar Kinrara in the presence of specially guests of 35 orphans from Rumah Penyayang Ar-Raudhah, Gombak.

9-22 OCTOBER
Retired NASA astronaut Robert “Hoot” Gibson came to Malaysia to share his vast experience on the space shuttle missions. MIMOS was chosen by the Ministry of Science, Technology and Innovation to organise Captain Gibson’s entire activities during his stay in Malaysia.

23 OCTOBER
MIMOS and Saudi Arabia-based King Abdul Aziz City for Science and Technology signed MoU to encourage and promote cooperation in R&D in the field of ICT over the next five years.

24 OCTOBER
MIMOS hosted a visit by members of the Institute of Engineering & Technology (IET) Malaysia.

26 October

26 OCTOBER

MIMOS received Technology Business Review Award for Excellence in Government Services – ICT Network Development. The award was presented by Malaysia's Chief Secretary Tan Sri Mohd Sidek Hassan.

30 OCTOBER

Delegation from University of Illinois at Urbana Champaign (UIUC) visited MIMOS to initiate a collaborative understanding and to discuss potential areas of collaboration.


31 October

31 OCTOBER

MIMOS held Hari Raya Aidilfitri get-together for staff and industry partners at the MIMOS compound. The guests of honour included Science, Technology and Innovation Minister Dato' Seri Dr Jamaludin Jarjis and his Deputy, Dato' Kong Cho Ha.

NOVEMBER 2007


2 November

2 NOVEMBER

MIMOS and Agilent Technologies entered into a collaboration in the area of test and measurement through the establishment of a Centre of Excellence in Measurement Technologies in Asia (CEMTA).

15-17 NOVEMBER

MIMOS held its first Media Educational Gateway entitled Innovation in Frontier Technologies in Langkawi. The objectives of the three-day gateway is to communicate MIMOS' direction and to review MIMOS' achievements over the last 18 months.


30 November

30 NOVEMBER

MIMOS participated in National Innovation Conference & Exhibition (NICE) 2007 organised by Ministry of Science, Technology and Innovation. MIMOS' Makcik PC stole the limelight at NICE which was launched by Prime Minister Datuk Seri Abdullah.

DECEMBER 2007


5 December

5 DECEMBER

MIMOS held its first ever Technology Forum in conjunction with MIMOS Innovation Week. The forum which was co-organised with Multimedia Development Corporation (MDeC) and Malaysia Venture Capital Management Berhad (MAVCAP).


6 December

6 DECEMBER

MIMOS held its 6th R&D Symposium aimed at providing a platform for researchers to share their work and exchange ideas. At the end of the symposium, Innovators Night was held to recognise achievements, creativity and innovations of MIMOS researchers throughout the year.

7-9 DECEMBER

MIMOS participated in Malaysia External Trade Development Corporation (MATRADE) 50th Anniversary Exhibition entitled "Tracing the Transformation of Malaysia's Trade and Industry".

17 DECEMBER

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

MIMOS in the News

MIMOS ON TRACK WITH PATENT

KUALA LUMPUR: Mimos Bhd researchers doubled last year's patent disclosure target, with a total of 80 patent disclosures to date, the applied ICT research organisation announced.

Mimos' previously stated target for last year was 40 intellectual property disclo-

Abdul Wahab Abdullah said this showed Mimos was well positioned to become a premier applied research centre in frontier technologies.

The intellectual property reward scheme was introduced last July by Abdul Wahab's incoming Mimos ma-

sure per employee each year. A p- closure is when the inventor disc- mation about a patent application would enable a knowledgeable p-

MIMOS: GRID COMPUTING FOR EVERYONE

"It should be as easily available as water and electricity are to our homes and offices today."

NEW STRAITS TIMES, MONDAY, JUNE 18, 2007

Global Mimos in the making

By Reezna Sari

Scan komersialkan teknologi Mimos

Oleh Zuraidah Rahimah

"Kami boleh mengesahkan Scan sedang berbincang dengan Mimos berhubung peluang menjalinkan kerjasama antara kedua-dua pihak"

Dr Norah k Badrah Ikhl

KnowledgeGrid to give M

By Sharon Tan

PLANS

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...alised

RM3,000 for 10 patent disclosures under its internal intellectual property reward scheme.

This was the second round of reward and recognition for Mimos researchers following the first round in November, in which 11 researchers were rewarded a total of ...000 for patent disclosures and patents

Persidangan dan Pameran Inovasi Kebangsaan 2007

TRADE CENTRE

6 terima Anugerah

By H. AMIR KHALID

KUALA LUMPUR: ICT applied research and development organisation Mimos Bhd has agreed to establish research laboratories with organisations from Taiwan and South Korea.

It will engage in joint research projects with the industries.

»This in line...

MIMOS TIES UP WITH TAIWAN, SEOUL PARTNERS

Calling all...

...TURE: Mimos will engage in joint research projects with ITRI of Taiwan...

UPDATE • C3

Abdul Wahab says Mimos is now concentrating on supporting technology...

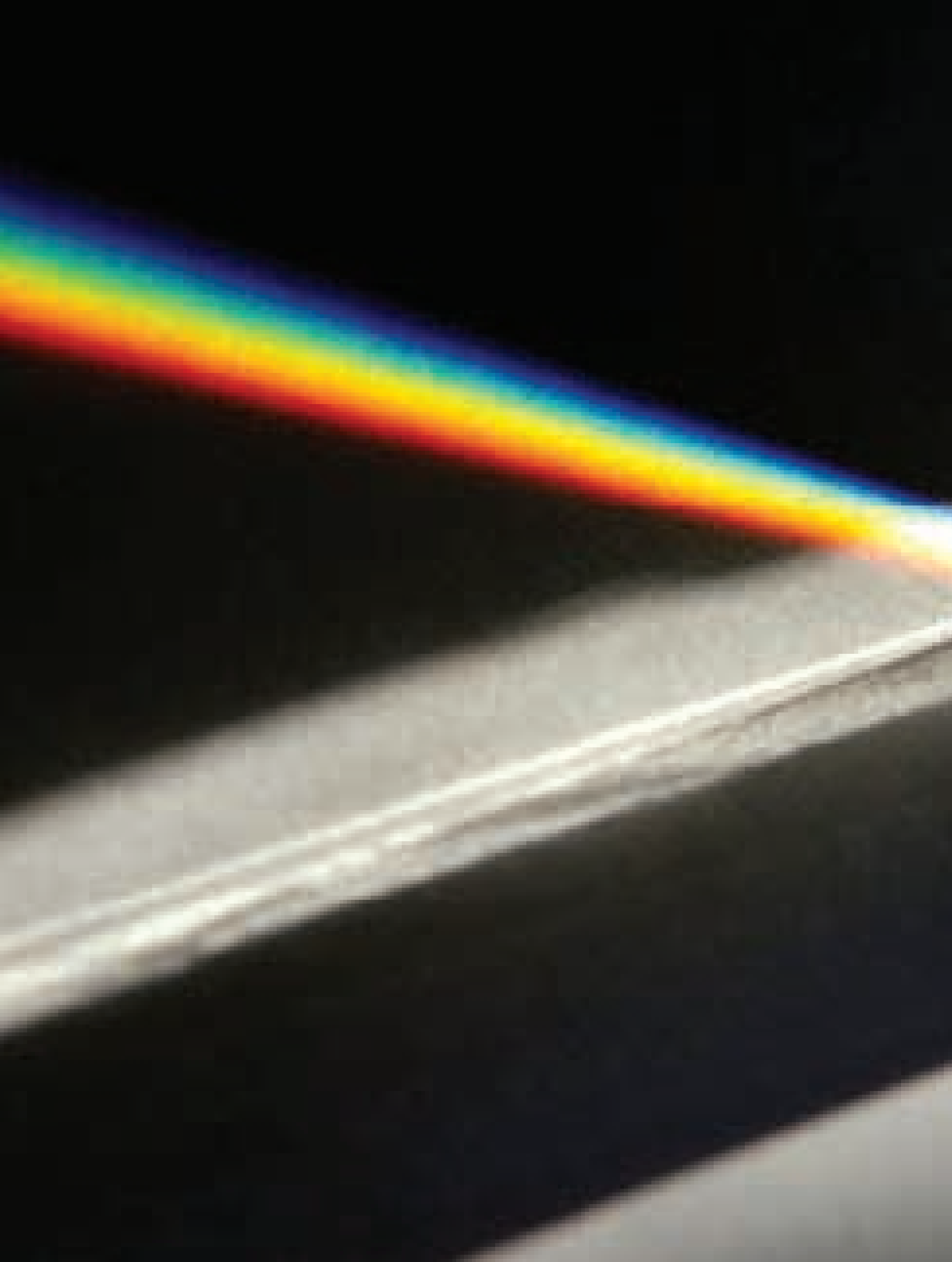
Collaboration to drive innovation

...'sia the competitive edge

N8 NATION

Gibson: Space efforts good for peace

Astronaut talks: Gibson talking about his experience in space at...



FINANCIAL
Report 2007

DIRECTORS REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries are the assembly of computers for the purpose of selling and leasing of computer hardware and software, the designing and marketing of integrated circuit products, provision of management and semiconductor wafer fabrication services and trading of semiconductor wafer and investment holding. The principal activities of its associates are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Loss for the year	14,054,690	7,606,317
Attributable to :		
Equity holders of the Company	(12,799,395)	(7,606,317)
Minority interests	(1,255,295)	-
	(14,054,690)	(7,606,317)

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

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 any dividend payment in respect of the current financial year.

DIRECTORS

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

Datuk Shahril bin Shamsuddin	
Dato' Gan Nyap Liou @ Gan Nyap Liow	
Abdul Rahim bin Abdul Hamid	
Mohammad bin Abdullah	
Mohamed Rashdi bin Mohamed Ghazalli	
Dato' Abdul Wahab bin Abdullah	
Dato' Abdul Hanan bin Alang Endut	
Gho Peng Seng	
Mohd Azmi @ Mohd Izam bin Mohamed (Alternate director to Gho Peng Seng)	(Resigned on 1 September 2007)
Azizah binti Hamzah (Alternate director to Dato' Abdul Hanan bin Alang Endut)	(Resigned on 17 September 2007)
Dato' Zuraidah binti Hj. Muhammad (Alternate director to Dato' Abdul Hanan bin Alang Endut)	(Appointed on 17 September 2007 and ceased on 15 April 2008)

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 as shown in Note 5 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 who held 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, an interest in shares of the Company and its related corporations.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

OTHER STATUTORY INFORMATION (CONTD.)

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 04 JUNE 2008.

DATUK SHAHRIL BIN SHAMSUDDIN

ABDUL RAHIM BIN ABDUL HAMID

Kuala Lumpur, Malaysia

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

We, DATUK SHAHRIL BIN SHAMSUDDIN 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 64 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 for so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 04 JUNE 2008.

DATUK SHAHRIL BIN SHAMSUDDIN

ABDUL RAHIM BIN ABDULHAMID

Kuala Lumpur, Malaysia

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

I, DATO' ABDUL WAHAB BIN ABDULLAH, being the director primarily responsible for the financial management of MIMOS Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 64 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed DATO' ABDUL WAHAB BIN ABDULLAH
at Kuala Lumpur in the Federal Territory
on 04 JUNE 2008.

DATO' ABDUL WAHAB BIN ABDULLAH

Before me,

REPORT OF THE AUDITORS TO THE MEMBER OF MIMOS BERHAD (Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 8 to 64. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

(i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the casflows of theGroup and of the Company for the year then ended; and

(ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

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

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 purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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 Companies Act, 1965.

ERNST & YOUNG
AF : 0039
Chartered Accountants

ABDUL RAUF BIN RASHID
2305/05/06 (J)
Partner

Kuala Lumpur, Malaysia
04 JUNE 2008

MIMOS Berhad
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	RM	RM	RM	RM
Continuing Operations					
Revenue	3	32,540,581	66,088,494	5,428,113	4,871,042
Cost of sales	3	(15,115,569)	(41,355,550)	(1,760,788)	(5,456,129)
Gross profit		17,425,012	24,732,944	3,667,325	(585,087)
Grant income		121,655,973	61,144,289	121,655,973	60,558,770
Other operating income		8,976,127	4,859,905	9,381,342	4,100,350
Administrative expenses		(104,045,487)	(79,233,748)	(88,275,164)	(68,640,493)
Selling and marketing expenses		(1,070,115)	(765,443)	-	-
Other operating expenses		(54,205,895)	(37,441,256)	(51,274,264)	(82,435,848)
Loss from operations		(11,264,385)	(26,703,309)	(4,844,788)	(87,002,308)
Finance costs	4	(249,401)	(105,770)	(30,567)	(19,904)
Share of results of associates		826,895	1,630,420	-	-
Loss before taxation	5	(10,686,891)	(25,178,659)	(4,875,355)	(87,022,212)
Income tax expense	7	(3,367,799)	(1,512,548)	(2,730,962)	473,930
Loss for the year from continuing operations		(14,054,690)	(26,691,207)	(7,606,317)	(86,548,282)
Discontinued operation					
Loss for the year from discontinued operations		-	(20,187,002)	-	-
Loss for the year		(14,054,690)	(46,878,209)	(7,606,317)	(86,548,282)
Attributable to:					
Equity holders of the Company		(12,799,395)	(46,814,452)	(7,606,317)	(86,548,282)
Minority Interest		(1,255,295)	(63,757)	-	-
		(14,054,690)	(46,878,209)	(7,606,317)	(86,548,282)

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

BALANCE SHEETS
AS AT 31 DECEMBER 2007

		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	8	101,657,026	72,723,937	82,867,101	51,448,465
Intangible assets	9	18,365,427	19,594,780	14,461,637	17,980,149
Investment in subsidiaries	10	-	-	42,429,159	50,571,884
Investment in associates	11	2,969,725	2,176,322	4,050,001	4,050,001
Other investments	12	7,689,448	11,271,124	2	2
Deferred tax assets	24	3,661,598	3,859,654	-	-
		134,343,224	109,625,817	143,807,900	124,050,501
Current assets					
Short term investments	13	-	-	-	-
Inventories	14	5,028,611	7,187,907	-	-
Trade receivables	15	7,029,958	14,135,727	869,300	941,708
Other receivables	16	9,952,353	7,520,616	16,952,460	24,653,885
Tax recoverable		4,611,397	4,776,803	-	358,723
Cash and bank balances	17	267,899,523	143,813,259	239,345,046	92,234,940
		294,521,842	177,434,312	257,166,806	118,189,256
		294,521,842	177,434,312	257,166,806	118,189,256
TOTAL ASSETS		428,865,066	287,060,129	400,974,706	242,239,757

BALANCE SHEETS

AS AT 31 DECEMBER 2007 (CONTD.)

		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	23	100,000,000	100,000,000	100,000,000	100,000,000
Exchange translation reserve		(4,387,090)	(2,350,092)	-	-
Retained profits/ (Accumulated losses)		(9,869,542)	2,929,853	(39,805,738)	(32,199,421)
		85,743,368	100,579,761	60,194,262	67,800,579
Minority interests		3,423,323	4,678,618	-	-
Total equity		89,166,691	105,258,379	60,194,262	67,800,579
Non-current liabilities					
Retirement benefit obligations	19	239,893	3,402,257	239,893	3,402,257
Borrowings	21	76,000,000	76,000,000	76,000,000	76,000,000
Funds accounts	25	242,807,075	83,219,705	242,807,075	83,219,705
		319,046,968	162,621,962	319,046,968	162,621,962
Current liabilities					
Provision for liabilities	18	1,698,562	7,625,323	-	-
Deferred income	20	33,877	381,557	-	-
Trade payables		3,382,256	5,037,824	609,143	16,658
Other payables	22	15,536,713	6,135,084	20,752,094	11,800,558
Tax payable		-	-	372,239	-
		20,651,408	19,179,788	21,733,476	11,817,216
Total liabilities		339,698,376	181,801,750	340,780,444	174,439,178
TOTAL EQUITY AND LIABILITIES		428,865,066	287,060,129	400,974,706	242,239,757

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital RM	Distributable Retained Profits/ (Accumulated Losses) RM	Exchange Reserves Total RM	Total RM	Minority Interests RM	Total Equity RM
At 1 January 2006	29,000,002	88,580,570	-	117,580,572	4,742,375	122,322,947
Foreign currency translation, representing net loss recognised directly in equity	-	-	(2,350,092)	(2,350,092)	-	(2,350,092)
Loss for the year	-	(46,814,452)	-	(46,814,452)	(63,757)	(46,878,209)
Total recognised income and expense for the year	-	(46,814,452)	(2,350,092)	(49,164,544)	(63,757)	(49,228,301)
Issuance of shares through capitalisation of retained profits	38,836,265	(38,836,265)	-	-	-	-
Issuance of shares through capitalisation of amount due to holding company	32,163,733	-	-	32,163,733	-	32,163,733
At 31 December 2006	100,000,000	2,929,853	(2,350,092)	100,579,761	4,678,618	105,258,379
At 1 January 2007	100,000,000	2,929,853	(2,350,092)	100,579,761	4,678,618	105,258,379
Foreign currency translation, representing net loss recognised directly in equity	-	-	(2,036,998)	(2,036,998)	-	(2,036,998)
Loss for the year, representing total recognised income and expenses for the year	-	(12,799,395)	-	(12,799,395)	(1,255,295)	(14,054,690)
At 31 December 2007	100,000,000	(9,869,542)	(4,387,090)	85,743,368	3,423,323	89,166,691

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital RM	Accumulated Losses RM	Total RM
At 1 January 2006	2 9,000,002	9 3,185,126	122,185,128
Loss for the year, representing total recognised income and expense for the year	-	(86,548,282)	(86,548,282)
Issuance of shares through capitalisation of retained profits	38,836,265	(38,836,265)	-
Issuance of shares through capitalisation of amount due to holding company	32,163,733	-	32,163,733
At 31 December 2006	100,000,000	(32,199,421)	67,800,579
At 1 January 2007	100,000,000	(32,199,421)	67,800,579
Loss for the year, representing total recognised income and expense for the year	-	(7,606,317)	(7,606,317)
At 31 December 2007	100,000,000	(39,805,738)	60,194,262

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation from:		
Continued operations	(10,686,891)	(25,178,659)
Discontinued operation	-	(20,187,002)
Adjustments for:		
Amortisation of intangible assets	7,051,330	9,314,314
Intangible assets written off	-	514,736
Depreciation of property, plant and equipment	21,698,357	26,275,964
Property, plant and equipment written off	3,684,242	-
Loss/(gain) on disposal of property, plant and equipment	2,917,786	1,211,552
Loss on disposal of intangible assets	495,950	6,632,037
Impairment loss on plant and equipment	9,419,270	-
Impairment loss on intangibles	11,021,373	-
Gain on disposal of a subsidiary	-	(7,852,173)
Loss on disposal of associate	-	204,160
Gain on disposal of investment	-	(5,669,233)
Inventories written off	-	203,635
Inventories written down	1,248,427	-
Share of results of associated companies	826,895	1,630,420
Interest expense	249,401	105,770
Provision for liabilities	(5,926,761)	3,839,343
Writeback of contingency claims	-	(2,620,000)
Provision for doubtful debts (net)	1,969,538	1,364,763
Debts written off	2,764,862	-
(Writeback)/provision for retirement benefits	(3,162,364)	590,746
Writeback of provisions	(2,657,562)	3,839,343
Provision for impairment loss on investment	2,816,512	9,395,589
Interest income	(4,999,383)	(2,926,537)
Grant income	(121,655,973)	(61,144,289)
Operating (loss)/profit before working capital changes	(82,924,991)	(105,821,181)
Inventories	2,159,296	5,088,658
Receivables	(60,368)	45,949,283
Payables	1,914,326	62,189,095
Deferred income	(347,680)	(4,832,645)
Cash used in operations	(79,259,417)	2,573,209
Interest paid	(249,401)	(105,770)
Taxation paid	(3,004,337)	(9,474,034)
Net cash used in operating activities	(82,513,155)	(7,006,595)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(66,365,073)	(26,465,472)
Acquisition of intangible assets	(17,339,300)	(15,748,388)
Net cash outflow from disposal of a subsidiary	-	(28,638,637)
Acquisition of intellectual property	-	(15,748,388)
Interest received	4,999,383	2,926,537
Proceeds from disposal of property, plant and equipment	287,671	-
Other investments	189,821	11,942,494
Net cash used in investing activities	(78,227,498)	(71,731,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Development fund received	316,214,008	72,851,000
Transferred to approved project	(29,350,093)	(40,918,634)
Repayment of term loan	-	(25,789,987)
Net cash generated from financing activities	286,863,915	6,142,379
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	126,123,262	(72,596,071)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(2,036,998)	6,384,189
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	143,813,259	210,025,141
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR (Note 17)	267,899,523	143,813,259

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(4,875,355)	(87,022,212)
Adjustments for:		
Depreciation of property, plant and equipment	10,016,904	21,241,875
Amortisation of intangible assets	5,879,486	2,740,893
Intangible assets written off	492,468	514,736
Interest expense	30,567	19,904
Loss on disposal of property, plant and equipment	2,917,786	1,211,552
Impairment loss on plant and equipment	9,419,270	-
Impairment loss on intangibles	11,021,373	-
Write-back of provision for doubtful debts	742,686	(398,326)
Loss on disposal of a subsidiary	-	20,000,001
Loss on disposal of an associate	-	204,161
Loss on disposal of assets to a former subsidiary	-	19,915,845
Provision for impairment loss on investment in subsidiaries	8,142,743	32,149,320
Impairment loss on investments	-	956,250
Provision for retirement benefits	(3,162,364)	590,747
Interest income	(4,729,669)	(2,598,071)
Grant income	(121,655,973)	(60,558,770)
Operating loss before working capital changes	(85,760,078)	(51,032,095)
Receivables	7,031,129	26,498,686
Payables	3,923,449	9,893,445
Cash used in operations	(74,805,500)	(14,639,964)
Taxation paid	(2,000,000)	(3,000,000)
Interest paid	(30,567)	(19,904)
Net cash used in operating activities	(76,836,067)	(17,659,868)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(53,772,596)	(32,719,348)
Acquisition of intangible assets	(13,874,815)	(12,815,746)
Interest received	4,729,669	2,598,071
Proceeds from disposals of property, plant and equipment	-	92,406
Net cash used in investing activities	(62,917,742)	(42,844,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Development fund received from the government	316,214,008	72,851,000
Transferred to approved project	(29,350,093)	(40,918,634)
Repayment of term loan	-	(25,789,987)
Net cash generated from financing activities	286,863,915	6,142,379
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	147,110,106	(54,362,107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	92,234,940	146,597,047
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 17)	239,345,046	92,234,940

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

1. CORPORATE INFORMATION

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

The principal activities of its subsidiaries are the assembly of computers for the purpose of selling and leasing of computer hardware a sofware, the designing and marketing of integrated circuit products, provision of management and semiconductor wafer fabrication services and trading of semiconductor wafer and investment holding. The principal activities of its associates are disclosed in Note 11.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 04 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared on a historical cost basis andcomply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia .

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Subsidiaries and Basis of Consolidation (Contd.)

ii) Basis of Consolidation (Contd.)

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

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

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

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

(b) Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Associates (Contd.)

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

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

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

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

(c) Property, Plant, Equipment and Depreciation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Property, Plant, Equipment and Depreciation (Contd.)

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

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

(d) Intangible Assets

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

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

(e) Inventories

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(f) Impairment of Non-financial Assets

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

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

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

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

An impairment loss is recognised in profit or loss in the period in which it arises. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Provisions

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

(i) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer’s interest is the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Employees Benefits

(i) Short term benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ii) Defined contribution plan

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

(iii) Defined benefit plan

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

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

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Revenue Recognition and Deferred Income

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

(i) Sale of Goods

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

(ii) Lease Income of Computer Software and Hardware

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

Leasing revenue received in advance from customers is accounted for as deferred incomeand is recognised over the respective loan periods to correlate with the service obligations.

(iii) Interest Income

Interest income is recognised based on the effective yield method.

(iv) Dividends

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

(l) Recognition of Grants

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Foreign Currency Transactions

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

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

(iii) Foreign Currency Operations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Foreign Currency Operations (Contd.)

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

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

(n) Financial Instruments

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

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

(i) Other Non-Current Investments

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

(ii) Trade Receivables

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

(iii) Trade Payables

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

(iv) Interest-Bearing Loans and Borrowings

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) Financial Instruments (Contd.)

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of Revised FRSs

(i) Adoption of revised FRSs

On 1 January 2007, the Group and the Company adopted the following revised FRSs and amendment to FRS which are applicable and mandatory to the Group and the Company for the current financial year beginning 1 January 2007:

FRS 117	:	Leases
FRS 124	:	Related Party Disclosures
FRS 1192004	:	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

In addition to the above, the Group and the Company has also taken the option to early adopt the following revised FRS and amendment to FRSs effective 1 January 2007:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 119	:	Employee Benefits
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 126		Accounting and Reporting by Retirement Benefit Plans
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets

The adoption of all the above revised FRSs and amendments to FRSs does not result in significant changes in the accounting policies and does not have a significant financial impact to the financial statements of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of Revised FRSs (Contd.)

(ii) Interpretations that are not yet effective

IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129 - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The above Interpretations are effective for periods beginning on or after 1 July 2007 and are not applicable to the Group and the Company.

(iii) FRS 139: Financial Instruments: Recognition and Measurement

FRS 139 application has been deferred to a date yet to be announced by Malaysian Accounting Standards Board. The Directors anticipate that the adoption of FRS 139 in future periods will not have a material impact on the financial statements of the Group and the Company.

2.4 Significant Accounting Judgements and Estimates

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

(a) Critical Judgements Made in Applying Accounting Policies

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

(i) Impairment of investments

The Group and the Company determines whether its investments are impaired following certain indications of impairment such as, amongst others, declining budgeted cashflows,

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Judgements and Estimates (Contd.)

(i) Impairment of investments (Contd.)

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, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, net tangible asset, realisable net asset value, sector average price-earning ratio methods and comparable recent market values of other companies with similar activities.

(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) Income taxes and deferred tax asset

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

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

The carrying amounts of the Group and the Company tax payables and deferred tax liabilities are as disclosed in Note 7 and 24.

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Judgements and Estimates (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(ii) Impairment of investments (Contd.)

Sensitivity to changes in assumptions

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

Impairment review

The impairment review of those investments with indications of impairment carried out by management during the year led to the recognition of impairment loss in investments of approximately RM2,816,512 (2006: RM9,395,589) and RM8,142,725 (2006: RM956,250) for the Group and Company respectively.

3. REVENUE AND COST OF SALES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sale of goods	12,021,946	16,079,827	-	-
Services rendered	6,304,961	11,278,124	5,428,113	4,871,042
Lease income from computer software and hardware rental	14,213,674	38,730,543	-	-
	32,540,581	66,088,494	5,428,113	4,871,042

Revenue of the Company represents the invoiced value of services rendered after allowance for commission paid to agents.

Revenue of the Group represents the invoiced value of goods sold, services rendered and lease income of computer software and hardware while cost of sales represents the costs of the goods being sold and direct costs related to services rendered.

4. FINANCE COSTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Bank and commission charges	189,5711	9,904	30,567 1	9,904
Other interest charges	59,830	85,866	-	-
	249,401	105,770	30,567	19,904

5. LOSS BEFORE TAXATION

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
This is stated after charging/ (crediting):				
Employee benefit expense (Note 6)	54,605,577	43,996,120	45,504,213	33,729,867
Auditors' remuneration				
Audit fees				
- statutory audit	134,000	125,000	35,000	30,000
Amortisation of intangible assets	7,051,330	9,314,314	5,879,486	5,879,486
Intangible assets written off	-	514,736	492,468	514,736
Non-executive directors' remuneration				
- other emoluments	134,545	151,550	112,575	117,942
Depreciation of property, plant and equipment	21,698,357	26,275,964	10,016,904	21,241,875
Inventories written off	-	203,635	-	-
Provision/(Writeback) for doubtful debts (net)	1,969,538	489,223	742,686	(398,326)
Debts written off	2,764,862	-	-	-
(Gain)/loss on disposal of subsidiary	-	(7,852,173)	-	20,000,001
Loss on disposal of associate	-	204,160	-	204,160
Inventories written down	1,248,427	-	-	-
Gain on disposal of investment	-	(5,669,233)	-	-
Loss on disposal of assets to to a former subsidiary	-	-	-	19,915,845
Writeback of contingency claims	-	(2,620,000)	-	-
(Writeback of)/provision for warranty	(1,408,875)	3,638,023	-	-
(Writeback of)/provision for				

5. LOSS BEFORE TAXATION (CONTD.)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
service maintenance	(1,248,687)	201,320	-	-
Provision for impairment	-	-	-	-
loss on plant and equipment	9,419,270	-	9,419,270	-
Provision for impairment				
loss on intangibles	11,021,373	-	11,021,373	-
Provision for impairment				
loss on investment	2,816,512	9,395,589	8,142,743	956,250
Rental of				
- office premises	713,488	2,973,721	-	-
- others	222,111	1,147,290	222,111	1,079,523
Lease rental of equipment	2,711,469	-	2,711,469	-
This is stated after charging/ (crediting): (Contd.)				
Loss on disposal of property, plant and equipment	2,917,786	1,211,552	2,917,786	1,211,552
Property, plant and equipment written off	3,684,242	-	-	-
Writeback of provision for replacement cost	(850,000)	-	-	-
Interest income				
- banks	(4,999,383)	(2,926,537)	(4,729,669)	(2,598,071)
- subsidiary company	-	-	-	(1,428,797)
Reimbursement fee income				
- subsidiary company	-	-	(817,039)	(1,200,000)
Realised net foreign exchange (gain)/loss	(280,903)	(21,023)	(233,928)	(21,023)

6. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Wages and salaries	41,935,274	30,268,732	34,028,570	22,143,462
Social security costs	427,201	390,916	159,205	136,993

6. EMPLOYEE BENEFIT EXPENSE (CONTD.)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short term accumulating compensated absences	-	1,074,461	-	-
Pension costs:				
Defined contribution plan	5,624,073	4,453,549	4,759,296	3,466,828
Defined benefit plan	-	494,958	-	590,747
Other staff related expenses	6,619,029	7,313,504	6,557,142	7,391,837
	54,605,577	43,996,120	45,504,213	33,729,867

Included in the employee benefits expense of the Group and of the Company is directors' remuneration amounting to RM994,195 (2006: RM429,904) and RM994,195 (2006: RM429,904) respectively.

7. TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Continuing operations				
Current income tax:				
Malaysian income tax	2,803,791	3,709,160	2,730,962	1,127,523
Under/(over)provision of income tax in prior years	365,952	(1,648,835)	-	(1,601,453)
	3,169,743	2,060,325	2,730,962	(473,930)
Deferred tax:				
Relating to origination and reversal of temporary differences	140,831	(2,440,655)	-	-
Underprovision in prior years	57,225	1,892,878	-	-
continuing operations	3,367,799	1,512,548	2 ,730,962	(473,930)
Discontinued operations				
Current income tax:				
Malaysian income tax	-	943,988	-	-
Total income tax expense	3,367,799	2,456,536	2,730,962	(473,930)

7. TAXATION (CONTD.)

The Company was awarded Multimedia Super Corridor ("MSC") status in year 2000. For companies awarded MSCstatus, they are eligible for tax exemption on income derived from MSCqualifying 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. The provision for taxation for the current year is principally in respect of interest income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years. The computation of deferred tax as at 31 December 2007 has reflected these changes.

A reconciliation of income tax expense applicable to loss before taxation 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:

	2007 RM	2006 RM
Group		
Loss before taxation:		
Continuing operations	(10,686,891)	(25,178,659)
Discontinued operations	-	(20,187,002)
	(10,686,891)	(45,365,661)
Taxation at Malaysian statutory tax rate of 27%(2006: 28%)	(2,885,461)	(12,702,385)
Effects of income not subject to tax	(32,847,113)	(14,838,366)
Effects of expenses not deductible for tax purposes	34,608,528	22,718,904
Effects of utilisation of previously unabsorbed capital allowances	(1,700)	(1,424)
Deferred tax assets not recognised during the year	4,070,368	7,034,636
Underprovision of deferred tax in prior years	57,225	1,894,006
Under/(over)provision of income tax expense in prior years	365,952	(1,648,835)
Tax expense for the year	3,367,799	2,456,536

7. TAXATION (CONTD.)

	2007 RM	2006 RM
Company		
Loss before taxation	(4,875,355)	(87,022,212)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(1,316,346)	(24,366,219)
Income not subject to tax	(32,847,113)	(1,880,114)
Expenses not deductible for tax purposes	32,962,548	23,232,421
Deferred tax assets not recognised during the year	3,931,873	4,141,435
Overprovision of income tax expense in prior years	-	(1,601,453)
Tax expense/(credit) for the year	2,730,962	(473,930)

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture	Motor	Office	Computer
Group		**and fittings**	**vehicles**	**equipment**
Total				
	RM	**RM**	**RM**	**RM**
Cost				
At 1 January	5,117,961	1,322,105	4,905,312	10,887,946
Additions	1,266,850	98,800	1,220,729	-
Disposals	(68,368)	(772,057)	(213,958)	-
Write off	-	-	-	-
At 31 December	6,316,443	648,848	5,912,083	10,887,946
Accumulated Depreciation				
At 1 January	3,792,677	826,746	4,143,611	7,558,428
Charge for the year	592,935	152,590	(253,625)	-
Impairment loss	6,591	-	-	-
Disposals	(25,703)	(577,713)	(187,620)	-
Write off	-	-	-	-
At 31 December	4,366,500	401,623	3,702,366	7,558,428
Net Book Value				
At 31 December 2007	1,949,943	247,225	2,209,717	3,329,518

Computer software	workshop hardware	Laboratory and and equipment	Landscaping renovation	work-in- Building progress	Capital
RM	RM	RM	RM	RM	RM
54,875,259	20,026,548	15,867,565	27,997,481	3,966,567	144,966,744
39,980,311	10,980,703	7,297,512	-	5,520,168	66,365,073
(5,104,521)	(2,199,325)	(265,996)	-	-	(8,624,225)
(6,488,021)	-	-	-	-	(6,488,021)
83,263,028	28,807,926	22,899,081	27,997,481	9,486,735	196,219,571
37,031,894	6,460,395	10,102,373	2,326,683	-	72,242,807
16,456,419	2,611,354	1,758,269	380,415	-	21,698,357
2,433,893	6,856,801	121,985	-	-	9,419,270
(3,820,474)	(1,218,806)	(163,794)	-	-	(5,994,110)
(2,803,779)	-	-	-	-	(2,803,779)
49,297,953	14,709,744	11,818,833	2,707,098	-	94,562,545
33,965,075	14,098,182	11,080,248	25,290,383	9,486,735	101,657,026

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer software RM
Cost				
At 1 January	8,652,973	1,761,572	15,606,023	10,906,308
Additions	261,873	633,861	585,601	49,002
Disposals	(3,796,885)	(1,073,328)	(11,286,312)	(67,364)
At 31 December	5,117,961	1,322,105	4,905,312	10,887,946
Accumulated Depreciation				
At 1 January	4,984,459	1,447,395	11,984,931	7,567,182
Charge for the year	818,528	166,287	1,468,635	6,827
Disposals	(2,010,310)	(786,936)	(9,309,955)	(15,581)
At 31 December	3,792,677	826,746	4,143,611	7,558,428
Net Book Value				
At 31 December 2006	1,325,284	495,359	761,701	3,329,518

Laboratory and Computer hardware RM	Landscaping workshop equipment RM	Capital and renovation RM	Building RM	work-in-progress RM	Total RM
184,552,268	10,304,238	35,181,865	26,717,682	3,966,567	297,649,496
9,494,046	12,385,006	1,775,817	1,280,266	-	26,465,472
(139,171,055)	(2,662,696)	(21,090,117)	(467)	-	(179,148,224)
54,875,259	20,026,548	15,867,565	27,997,481	3,966,567	144,966,744
155,088,119	7,728,448	16,075,280	1,789,208	-	206,665,022
18,518,712	1,340,806	3,418,684	537,485	-	26,275,964
(136,574,937)	(2,608,859)	(9,391,591)	(10)	-	(160,698,179)
37,031,894	6,460,395	10,102,373	2,326,683	-	72,242,807
17,843,365	13,566,153	5,765,192	25,670,798	3,966,567	72,723,937

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Laboratory and Computer hardware RM	Landscaping workshop equipment RM	Building RM	Capital work-in-progress RM	Total RM
12,484,483	14,911,902	27,997,481	-	87,498,147
10,947,299	7,065,469	-	3,219,281	53,485,404
(5,104,521)	(2,199,325)	(265,996)	- -	(8,517,767)
21,232,457	21,711,375	27,997,481	3,219,281	132,465,784
1,789,430	9,263,303	2,326,684	-	36,049,682
1,908,414	1,636,140	380,415	-	10,016,904
6,856,801	121,985	-	-	9,419,270
(1,218,806)	(163,314)	-	-	(5,887,173)
9,335,839	10,858,114	2,707,099	-	49,598,683
11,896,618	10,853,261	25,290,382	3 ,219,281	82,867,101

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer software RM
Cost				
At 1 January	7,935,697	1,517,515	14,477,610	35,994,840
Additions	219,603	595,717	756,890	5,758,301
Disposals	(938,095)	(279,823)	(1,231,817)	(18,702,650)
Transfers to JCSB	(2,851,708)	(470,863)	(10,103,792)	(573,144)
At 31 December	4,365,497	1,362,546	3,898,891	22,477,347
Accumulated Depreciation				
At 1 January	4,536,344	1,228,716	11,234,454	31,173,335
Charge for the year	773,345	142,115	1,468,895	3,003,032
Disposals	(518,047)	(279,818)	(1,154,914)	(17,954,104)
Transfers to JCSB	(1,508,857)	(260,529)	(8,215,076)	(998,626)
At 31 December	3,282,785	830,484	3,333,359	15,223,637
Net Book Value				
At 31 December 2006	1,082,712	532,062	565,532	7,253,710

Laboratory and Computer hardware RM	Jaring equipment RM	Landscaping and renovation RM	Building RM	Capital work-in-progress RM	Total RM
4,277,748	182,208,270	34,537,163	26,717,682	2,158,612	309,825,137
10,962,235	10,586,394	1,695,474	1,280,266	-	31,854,880
(2,662,696)	-	(10,544) (467)	-	(23,826,092)	
(92,804)	(192,794,664)	(21,310,191)	-	(2,158,612)	(230,355,778)
12,484,483	-	14,911,902	27,997,481	-	87,498,147
3,773,450	157,469,026	15,661,635	1,789,208	-	226,866,168
621,764	11,378,725	3,316,523	537,476	-	21,241,875
(2,608,859)	-	(6,392)	-	-	(22,522,134)
3,075	(168,847,751)	(9,708,463)	-	-	(189,536,227)
1,789,430	-	9,263,303	2,326,684	-	36,049,682
10,695,053	-	5,648,599	25,670,797	-	51,448,465

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Included in property, plant and equipment are computer hardware of the Group with the aggregate net book value of RM15,252,818 (2006: RM14,593,525), which are on lease to external parties.

9. INTANGIBLE ASSETS

Group	Intellectual Property RM	Computer Softwares RM	Total RM
Cost			
At 1 January 2007	383,800	34,849,390	35,233,190
Additions	-	17,339,300	17,339,300
Disposal	-	(660,601)	(660,601)
At 31 December 2007	383,800	51,528,089	51,911,889
Accumulated amortisation and impairment lossess			
At 1 January 2007	-	15,638,410	15,638,410
Amortisation	-	7,051,330	7,051,330
Impairment	-	11,021,373	11,021,373
Disposal	-	(164,651)	(164,651)
At 31 December 2007	-	33,546,462	33,546,462
Net carrying amount			
At 31 December 2007	383,800	17,981,627	18,365,427
At 31 December 2006	383,800	19,210,980	19,594,780

(i) Included in intangible assets are computer software of the Group with the aggregate net book value of RM3,035,657 (2006: RM2,269,145), which are on lease to external parties.

9. INTANGIBLE ASSETS (CONTD.)

	Computer Softwares RM
Company	
Cost	
At 1 January 2007	26,624,010
Additions	13,874,815
Transfer	-
Written off	(657,596)
At 31 December 2007	39,841,229
Accumulated amortisation and impairment lossess	
At 1 January 2007	8,643,861
Amortisation	5,879,486
Impairment	11,021,373
Transfer	-
Written off	(165,128)
At 31 December 2007	25,379,592
Net carrying amount	
At 31 December 2007	14,461,637
At 31 December 2006	17,980,149

10. INVESTMENT IN SUBSIDIARIES

	2007 RM	2006 RM
Unquoted shares, at cost	123,003,602	123,003,602
Less : Accumulated impairment loss	(80,574,443)	(72,431,718)
	42,429,159	50,571,884

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	2007 %	2006 %
MIMOS Smart Computing Sdn. Bhd.	Malaysia	Assembly for sales and lease of computer hardware and software	100	100

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	2007 %	2006 %
MIMOS Semiconductor (M) Sdn. Bhd.	Malaysia	Provision of management and semiconductor wafer fabrication services and trading of semiconductor wafer	100	100
Encipta Ltd. Labuan,	Malaysia	Investment holding	100	100
Malaysia Microelectronic Solutions Sdn. Bhd.	Malaysia	Designing and marketing of integrated circuit products	60 #	60 #

\# 6% of the shares are vested with the trustee, 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.

11. INVESTMENT IN ASSOCIATES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares:				
At cost	8,963,186	8,963,186	8,950,289	8,950,289
Share of post acquisition reserves	(5,993,461)	(6,786,864)	-	-
	2,969,725	2,176,322	8,950,289	8,950,289
Less: Accumulated impairment losses	-	-	(4,900,288)	(4,900,288)
	2,969,725	2,176,322	4,050,001	4,050,001

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

11. INVESTMENT IN ASSOCIATES (CONTD.)

Details of the associated companies are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Equity 2007 %	Interest 2006 %
(a) Associated companies of MIMOS Berhad				
Digicert Sdn. Bhd.*	Malaysia	To act as a certification authority	45	45
OICNetworks Sdn. Bhd.*	Malaysia	Provision of services to interlink institutions within the Organisation of the Islamic Conference	49	49
Tiger Consortium Sdn. Bhd.*	Malaysia	Provision of e-business solutions, products and services for electronic commerce communities.	33.33	33.33
(b) Associated company of Encipta Ltd.				
Artisan Encipta Ltd. *	Bermuda	Fund Management	30	30

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

11. INVESTMENT IN ASSOCIATES (CONTD.)

The summarised financial information of the associates are as follows:

	2007 RM	2006 RM
Assets and Liabilities		
Current assets	7,491,616	5,712,255
Non-current assets	1,648,516	840,959
Total assets	9,140,132	6,553,214
Current liabilities	10,722,913	9,733,613
Non-current liabilities	-	113,991
Total liabilities	10,722,913	9,847,604
Results		
Revenue	8,198,988	9,206,130
Profit for the year	1,711,609	3,134,633

12. OTHER INVESTMENTS

	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares, at cost	39,269,648	51,369,154	1,717,250	1,717,250
Less : Accumulated impairment losses	(31,580,200)	(40,098,030)	(1,717,248)	(1,717,248)
	7,689,448	11,271,124	2	2

Other investments represent mainly preference shares acquired in newly start up companies incorporated in various countries. These companies are mainly involved in Information Technology related projects.

13. SHORT TERM INVESTMENTS

	Group/Company	
	2007 RM	2006 RM
Short term investments, at cost	40,000,000	40,000,000
Less: Accumulated impairment losses	(40,000,000)	(40,000,000)
	-	-

14. INVENTORIES

	Group	
	2007	2006
	RM	RM
At cost:		
Raw materials	1,931,448	3,486,096
Finished goods	199,050	1,609,309
	2,130,498	5,095,405
At net realisable value:		
Raw materials	2,486,411	2,092,502
Finished goods	411,702	-
	2,898,113	2,092,502
	5,028,611	7,187,907

The cost of inventories recognised as an expense during the financial year in the Group and the Company amounted to RM13,253,444 (2006: RM30,261,376).

15. TRADE RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade receivables	59,613,365	65,226,264	2,748,814	2,078,535
Less: Provision for doubtful debts	(52,583,407)	(51,090,537)	(1,879,514)	(1,136,827)
	7,029,958	14,135,727	869,300	941,708

The Group's normal trade credit term ranges from 30 to 60 days (2006: 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.

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

16. OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Due from subsidiaries	-	-	-	6,099,207
Due from associates	2,992,689	2,992,686	2,992,689	2,992,688
Due from related company	-	-	8,770,899	12,109,932
Deposits	1,675,862	1,580,871	558,654	551,903
Prepayments	4,652,257	560,132	3,910,313	511,043
Sundry receivables	631,545	2,386,927	719,905	2,389,112
	9,952,353	7,520,616	16,952,460	24,653,885

The amounts due from subsidiary companies are interest free and have no fixed terms of repayment.

The amounts due from associates and related company are unsecured, interest-free and have no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except for an amount due from an associate amounting to RM2,920,862 (2006: RM2,920,862)

17. CASH AND BANK BALANCES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash on hand and at banks	100,725,861	56,396,078	96,686,164	23,606,140
Deposits with:				
licensed banks	167,173,662	87,417,181	142,658,882	68,628,800
	267,899,523	143,813,259	239,345,046	92,234,940

Included in cash and bank balances of the Group and of the Company are balance of grant monies received from the Government amounting to RM153,049,729 (2006: RM61,135,482) which is restricted for use on approved capital and operational expenditure related to research and development.

17. CASH AND BANK BALANCES CONTD.)

The weighted average interest rates and average maturity of deposits as at 31 December 2007 were as follows:

	Weighted Average Interest % (per annum)	Average Maturity Rates Days	Weighted Average Interest % (per annum)	Average Maturity Rates Days
Licensed banks	3.40	90	3.50	90

18. PROVISIONS FOR LIABILITIES

	Service Maintenance RM	Warranty RM	Employers Benefits RM	Total RM
At 1 January 2007	5,486,000	1,992,545	146,779	7,625,324
Utilisation of provision				
during the year	(3,033,462)	(235,738)	-	(3,269,200)
Writeback of provision	(1,248,687)	(1,408,875)		(2,657,562)
At 31 December 2007	1,203,851	347,932	146,779	1,698,562
At 31 December 2007:				
Current	1,203,851	347,932	146,779	1,698,562
Non current:				
Later than 5 years	-	-	-	-
	1,203,851	347,932	146,779	1,698,562
At 31 December 2006:				
Current	5,485,999	1,992,545	146,779	7,625,323
Non current:				
Later than 5 years	-	-	-	-
	5,485,999	1,992,545	146,779	7,625,323

(a) Service Maintenance

Provision for service maintenance is in respect of expected cost arising from the servicing of hardware and software under lease. The provision is based on past experiences on the level of repairs and replacement of parts to be incurred.

(b) Warranty

A subsidiary gives one to two years warranties on certain computer components and parts and undertakes to repair and replace items that fail to perform satisfactorily. A provision for warranty is recognised for all products under warranty at the balance sheet date.

(c) Employees Benefits

A subsidiary provides short term employees benefits for employees' cumulative unutilised annual leaves.

19. RETIREMENT BENEFIT OBLIGATIONS

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

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

	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Present value of unfunded defined benefit obligations	239,893	3,402,257	239,893	3,402,257
Net liability	239,893	3,402,257	239,893	3,402,257
The amounts recognised in the income statement are as follows:				
Current service cost	-	441,727	-	441,727
Net actuarial losses recognised	-	149,019	-	149,019
Interest cost	-	-	-	-
Total, included in staff costs	-	590,746	-	590,746

19. RETIREMENT BENEFIT OBLIGATIONS CONTD.)

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

	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	3,402,257	4,146,939	3,402,257	3,966,401
Amounts recognised in the income statement	-	441,727	-	441,727
Net actuarial losses recognised	(3,162,364)	149,019	(3,162,364)	149,019
Disposed to JCSB	-	(1,335,428)	-	(1,154,890)
At 31 December	239,893	3,402,257	239,893	3,402,257

Principal actuarial assumptions used:

	2007 % per annum	2006 % per annum
Discount Rate	7.0	7.0
Salary Increase Rate	6.0	6.0

20. DEFERRED INCOME

Deferred income represents advances from customers in respect of computer hardware and software rental. These are recognised over the respective periods to correlate with the service obligations as applicable.

21. BORROWINGS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Long Term Borrowings				
Secured:				
Term loan	76,000,000	76,000,000	76,000,000	76,000,000
	76,000,000	76,000,000	76,000,000	76,000,000
Maturity of borrowings:				
More than 2 years and less than 5 years	76,000,000	76,000,000	76,000,000	76,000,000
	76,000,000	76,000,000	76,000,000	76,000,000

21. BORROWINGS (CONTD.)

(a) 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 loss is incurred, the amount is fully borne by the Company.

(ii) 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, interest free and is repayable as follows:

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

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

22. OTHER PAYABLES

	2007 RM	2006 RM	2007 RM	2006 RM
Due to related company	-	-	-	-
Due to subsidiaries	-	-	1,322,400	-
Accruals	11,386,749	2,319,227	10,455,529	8,078,180
Other payables	4,149,964	3,815,857	8,974,165	3,722,378
	15,536,713	6,135,084	20,752,094	11,800,558

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

23. SHARE CAPITAL

	Number of Ordinary Shares of RM 1 each			
	2007 RM	2006 RM	2007	2006
Authorised:				
At 1 January/31 December	150,000,000	150,000,000	150,000,000	150,000,000
Issued and fully pa				
At 1 January	100,000,000	29,000,002	100,000,000	29,000,002
Issued during the year	-	70,999,998	-	70,999,998
At 31 December	100,000,000	100,000,000	100,000,000	100,000,000

24. DEFERRED TAXATION

	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	(3,859,654)	(3,341,011)	-	-
Recognised in the income statement	198,056	(518,643)	-	-
At 31 December	(3,661,598)	(3,859,654)	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(3,661,598)	(3,859,654)	-	-
Deferred tax liabilities	-	-	-	-
	(3,661,598)	(3,859,654)	-	-

24. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances RM

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

At 1 January 2007	4,708,258
Recognised in the income statement	(627,305)
At 31 December 2007	4,080,953
At 1 January 2006	3,213,118
Recognised in the income statement	1,495,140
At 31 December 2006	4,708,258
Group Company	

Deferred Tax Assets of the Group

	Other Temporary Differences RM	Unutilised Business Losses RM	Unabsorbed Capital Allowances RM	Total RM
At 1 January 2007	(7,414,841)	-	(1,153,071)	(8,567,912)
Recognised in the income statement	825,361	-	-	825,361
At 31 December 2007	(6,589,480)	-	(1,153,071)	(7,742,551)
At 1 January 2006	(5,620,140)	-	(933,989)	(6,554,129)
Recognised in the income statement	(1,794,701)	-	(219,082)	(2,013,783)
At 31 December 2006	7,414,841)	-	(1,153,071)	(8,567,912)

Deferred Tax Liabilities of the Company

	Accelerated Capital Allowances RM
At 1 January 2007	9,186,018
Recognised in the income statement	-
At 31 December 2007	9,186,018
At 1 January 2006	9,186,018
Recognised in the income statement	-
At 31 December 2006	9,186,018

24. DEFERRED TAXATION (CONTD.)

Deferred Tax Assets of the Company

	Other Temporary Differences RM	Unutilised Business Losses RM	Unabsorbed Capital Allowances RM	Total RM
At 1 January 2007	(9,186,018)	-	-	(9,186,018)
Recognised in the income statement	-	-	-	-
At 31 December 2007	(9,186,018)	-	-	(9,186,018)
At 1 January 2006	(9,186,018)	-	-	(9,186,018)
Recognised in the income statement	-	-	-	-
At 31 December 2006	(9,186,018)	-	-	(9,186,018)

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

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Unutilised tax losses	14,846,345	15,906,132	1,023,448	1,023,448
Other temporary differences	3,213,131	27,290,229	3,213,131	27,161,168
Unabsorbed capital allowances	69,467,076	27,793,110	64,704,579	23,735,568
	87,526,552	70,989,471	68,941,158	51,920,184

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under Section 44(5A) and (5B) of Income Tax Act, 1967.

25. FUNDS ACCOUNTS

		Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Development Fund	(a)	103,320,7191	12,252,7971	03,320,7191	12,252,797
Intensification of Research in Priority Areas Fund (IRPA)	(b)	3,991,030	3,997,469	3,991,030	3,997,469
Other Funds	(d)	119,810,682	3,040,000	119,810,682	3,040,000
		227,122,431	119,290,266	227,122,431	119,290,266
Operational fund	(c)	15,684,644	(36,070,561)	15,684,644	(36,070,561)
		242,807,075	83,219,705	242,807,075	83,219,705

25. FUNDS ACCOUNTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
(a) Development Fund				
At beginning of year	112,252,797	117,063,698	112,252,797	116,478,180
Add : Grants received from the Government of Malaysia	59,953,105	24,811,000	59,953,105	24,811,000
Transfer from ABM grant	-	36,000,000	-	36,000,000
	172,205,902	177,874,697	172,205,902	177,289,179
Less : Funds utilised for approved projects	-	(34,529,439)	-	(34,529,439)
Less: Transfer to a JCSB	-	(8,629,540)	-	(8,629,540)
Less: Transfer to ABM	-		-	
Less: Amortised to:				
- Depreciation	(14,737,037)	(10,881,644)	(14,737,037)	(10,296,125)
- Impairment loss	(20,440,643)	-	(20,440,643)	-
- Other expenses	(33,707,503)	(11,581,278)	(33,707,503)	(11,581,278)
At end of year	103,320,719	112,252,797	103,320,719	112,252,797

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

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

25. FUNDS ACCOUNTS (CONTD.)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
(b) Intensification of Research In Priority Areas Fund (IRPA)				
At beginning of year	3,997,469	4,006,051	3,997,469	4,006,051
Less: Amortised to Income Statement - other expenses	(6,439)	(8,582)	(6,439)	(8,582)
At end of year	3,991,030	3,997,469	3,991,030	3,997,469
(c) Operational Fund				
At beginning of year	(36,070,561)	-	(36,070,561)	-
Add : Grants received from the Government of Malaysia	136,033,341	45,000,000	136,033,341	45,000,000
	99,962,780	45,000,000	99,962,780	45,000,000
Less : Funds utilised for approved project	(29,350,093)	(6,389,195)	(29,350,093)	(6,389,195)
Transfer to development fund	-	(36,000,000)	-	(36,000,000)
Less: Amortised to Income Statement - Other expenses	(54,928,043)	(38,681,366)	(54,928,043)	(38,681,366)
At end of year	15,684,644	(36,070,561)	15,684,644	(36,070,561)

The previous year debit balance represents amount reimburseable from the Government in respect of operational expenses already incurred by the Group and the Company.

25. FUNDS ACCOUNTS (CONTD.)

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
(d) Other Funds				
At beginning of year	3,040,000	-	3,040,000	-
Add : Grants received from the Government of Malaysia	120,227,562	3,040,000	120,227,562	3,040,000
	123,267,562	3,040,000	123,267,562	3,040,000
Less: Amortised to Income Statement expenses	(3,456,880)	-	(3,456,880)	-
At end of year	119,810,682	3,040,000	119,810,682	3,040,000

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

26. RELATED PARTY DISCLOSURES

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest charged to a subsidiary company	-	-	-	1,428,797
Reimbursement fees charged to a subsidiary company	-	-	-	1,200,000
Management fees payable to an associated company	-	2,073,555	-	-
Purchase from subsidiary company	-	-	908,034	2,124,537
Purchase from associate company	-	-	-	345,562
Lease of computers from subsidiary company	-	-	1,135,918	-
Purchases from a shareholder of a subsidiary company, Integrated Silicon Solution Incorporated	1,977,575	2 ,069,181	-	-

26. RELATED PARTY DISCLOSURES (CONTD.)

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Purchases from related company	-	-	-	1,157,266
Management fees payable to a subsidiary company	-	-	817,039	7 68,840

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

(b) Compensation of key management personnel

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

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

(a) Senior Vice President of Technology Realisation and Operations
(b) Vice President of Software Development and Central Engineering
(c) Vice President of Corporate Human Resource
(d) Chief Financial Officer

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

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Executive director's remuneration				
- salaries and short-term benefits	884,695	383,200	884,695	383,200
- defined contribution plan	109,500	46,704	109,500	46,704
Non-executive directors' allowances	134,545	151,550	112,575	117,942
Other key management personnel:				
- Salaries and short-term employee benefits	1,009,545	478,316	1,009,545	478,316
- Defined contribution plan	141,636	56,076	141,636	56,076
	2,279,921	1,115,846	2,257,951	1,082,238

27. CAPITAL COMMITMENTS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
(a) Capital expenditure				
Approved but not contracted for	3,239,694	3 ,896,242	3 ,239,694	-
	3,239,694	3 ,896,242	3 ,239,694	-

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

	Group	
	2007	2006
	RM	RM
Amounts payable within:		
1 year after balance sheet date	3 ,901,745	7 78,000
More than 1 year but not later than 5 years	6 ,113,724	40,000
	10,015,469	818,000

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.

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

On 18 March 2008 and upon the lapsed of the 18 months period mentioned above, the monies was fully received by the subsidiary with no claims made by any other parties. During the year, the Company has entered into a non-cancelable operating lease agreement for the provision of IT routers for the use of its research and development activities with lease period between 3 to 5 years.

28. CONTIGENT ASSET

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

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

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest bearing assets as at 31 December 2006. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

(c) Foreign Exchange Risk

The Group is exposed to United States Dollar and Japanese Yen. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures. The Group's foreign exchange risk is limited due to the Malaysian Ringgit's exchange rate being pegged to the US Dollar and transactions denominated in Japanese Yen are relatively minimal.

(d) Liquidity Risk

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

(e) Credit Risk

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

The Group has no significant concentration of credit risk with any single counterparty except as disclosed in Note 16 and 17 to the financial statements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(f) Fair Values

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

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

Transforming
INNOVATIONS

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