

Company No:  
500396-A

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2007**  
(In Ringgit Malaysia)

**TAN CHIN HUAT & CO**  
Chartered Accountants

Company No:  
500396-A

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**

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**MOBIF BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2007.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are the provision of internet-based surveillance systems, machine control with visual inspection software and other information technology services such as systems integration, support services and training. The principal activities of the subsidiaries are as disclosed in Note 13 to the Financial Statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

**FINANCIAL RESULTS**

The results of operations of the Group and of the Company for the financial year are as follows:-

	GROUP RM	COMPANY RM
Net profit for the financial year	<u>1,562,059</u>	<u>2,148,758</u>
<b>Attributable to:</b>		
Equity holders of the Company	1,956,908	2,148,758
Minority interests	<u>(394,849)</u>	<u>-</u>
	<u>1,562,059</u>	<u>2,148,758</u>

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any dividend in respect of the current financial year.

**RESERVES AND PROVISIONS**

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

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM20,328,845 to RM26,757,305 by way of:

- (i) the issuance of 20,328,000 new ordinary shares of RM0.10 each through private placements at an issue price of RM0.59 per ordinary share for cash, for additional working capital purposes; and
- (ii) the issuance of 43,956,600 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employees Share Option Scheme at an exercise price of RM0.52 per ordinary share.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

## SHARE OPTIONS

During the financial year, the Mobif Berhad's Employees Share Option Scheme (ESOS) effective on 28th October 2005 for a period of five (5) years expiring on 27th October 2010 was terminated on 19th June 2007.

A new Mobif Berhad's ESOS was approved by shareholders at an Extraordinary General Meeting held on 19th June 2007 and became effective on the same date for a period of five (5) years.

The details of the new ESOS are contained in the Bye-Laws and the salient features of the ESOS are as follows:

- a) the total number of new shares which may be made available under the scheme shall not exceed in aggregate twenty per cent (20%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- b) eligible persons are employees and Directors that have attained the age of eighteen (18) years on the date of offer and either
  - (i) are classified as "employees" based on the terms of employment letter issued by the Company; or
  - (ii) in the case of Directors, the name appears in the Register of Directors on or before the date of offer;
- c) not more than fifty per cent (50%) of the shares under the ESOS will be granted to the Directors and senior management. In addition, the allocation to an eligible employee/Director who, either singly or collectively through persons connected with the eligible employee/Director, holds twenty per cent (20%) or more of the issued and paid-up share capital of the Company must not exceed ten per cent (10%) of the total number of shares available under the scheme;
- d) the option price shall be determined by the weighted average market price of the shares of the Company for the five (5) market days preceding the date of offer and may be at a discount of not more than ten per cent (10%) or at par value of the shares of the Company, whichever is higher; and
- e) the duration of the scheme shall be five (5) years from the commencement of the scheme.

The share options granted and exercised during the financial year are as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM0.10 each				Balance as at 31.12.2007
		Balance as at 01.01.2007	Granted	Exercised	Lapsed	
10.11.2005	1.08	10,575,000	-	-	(10,575,000)	-
07.08.2006	2.65	740,000	-	-	(740,000)	-
22.06.2007	0.52	-	44,723,200	(43,956,600)	(766,600)	-

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders other than directors, who have been granted options to subscribe for less than 5,000,000 ordinary shares of RM0.10 each. The details of option holders granted options to subscribe for 5,000,000 or more ordinary shares of RM0.10 each during the financial year are as follows:

Name	Grant Date	Exercise Price RM	Number of options over ordinary shares of RM0.10 each			Balance as at 31.12.2007
			Balance as at 01.01.2007	Granted	Exercised/Lapsed	
Leong Kwai Cheng	10.11.2005	1.08	1,000,000	-	(1,000,000)	-
	22.06.2007	0.52	-	5,000,000	(5,000,000)	-

## DIRECTORS

The Directors who served since the date of the last report are:

Leong Kong Hoy  
Lau Sze Ming  
Lee Khiam Jin  
Chan Chee Wai  
Lee Chin Soon  
Leou Thiam Lai  
Goh Cheng Hoe (Appointed on 28.01.2008)

## DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the options granted to the Directors pursuant to the ESOS of the Company as disclosed below.

## DIRECTORS' INTERESTS

The shareholdings in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as at <u>01.01.2007</u>	<u>Bought</u>	<u>Sold</u>	Balance as at <u>31.12.2007</u>
<b>Shares in the Company</b>				
<b>Registered in name of Directors</b>				
Leong Kong Hoy	5,049,836	13,240,700	(5,049,836)	13,240,700
Lau Sze Ming	1,066,694	3,500,000	-	4,566,694
Lee Khiam Jin	3,465,968	3,500,000	(5,965,968)	1,000,000
Chan Chee Wai	137,120	-	-	137,120
Lee Chin Soon	-	3,500,000	-	3,500,000

In addition to the above, the Directors are also deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS as follows:-

	Number of options over ordinary shares of RM0.10 each				
	Balance as at <u>01.01.2007</u>	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	Balance as at <u>31.12.2007</u>
<b>Options over ordinary shares in the Company</b>					
Leong Kong Hoy	1,800,000	11,861,000	(11,861,000)	(1,800,000)	-
Lau Sze Ming	3,500,000	3,500,000	(3,500,000)	(3,500,000)	-
Lee Khiam Jin	1,800,000	3,500,000	(3,500,000)	(1,800,000)	-
Chan Chee Wai	500,000	-	-	(500,000)	-
Lee Chin Soon	-	3,500,000	(3,500,000)	-	-

## **STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

- 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance for doubtful debts has been made; and
  - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the financial statements of the Group and of the Company have been written down to an amount which they might be expected to realise.
- b) At the date of this report, the Directors are not aware of any circumstances:
  - (i) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributable to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- c) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and 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 and of the Company which has arisen since the end of the financial year.
- d) No contingent liability 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, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

## **OTHER STATUTORY INFORMATION**

- a) 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.
- b) In the opinion of the Directors,
  - (i) the results of 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; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

Company No:  
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**AUDITORS**

The auditors, Messrs. Tan Chin Huat & Co., have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

LEONG KONG HOY  
Director

LAU SZE MING  
Director

Petaling Jaya

Date : 1st April 2008

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, Leong Kong Hoy and Lau Sze Ming, being two of the Directors of MOBIF BERHAD, do hereby state that, in the opinion of the Directors, the accompanying balance sheets and statements of income, cash flows and changes in equity, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2007 and of the results and 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,

LEONG KONG HOY  
Director

LAU SZE MING  
Director

Petaling Jaya

Date : 1st April 2008

**STATUTORY DECLARATION**

I, LEE CHIN SOON, being the Director primarily responsible for the financial management of MOBIF BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, together with the notes thereto, are to the best of my knowledge and belief, 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.

LEE CHIN SOON

Subscribed and solemnly declared by the  
abovenamed Lee Chin Soon  
at Petaling Jaya, on 1st April 2008

Before me :

# TAN CHIN HUAT & CO.

AF 1395  
Chartered Accountants

No. 232 2nd Floor Block A Damansara Intan  
No. 1 Jalan SS 20/27 47400 Petaling Jaya  
Tel: 03-77268992  
Fax: 03-77284992

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## REPORT OF THE AUDITORS TO THE MEMBERS OF

### MOBIF BERHAD (Incorporated in Malaysia)

We have audited the accompanying balance sheets as at 31st December 2007 and the related statements of income, cash flows and changes in equity, together with the notes thereto, for the year then ended.

These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. 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 approved standards on auditing in Malaysia. These 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31st December 2007 and of the results and cash flows of the Group and of the Company for the year then ended; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

Company No:  
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## **TAN CHIN HUAT & CO.**

AF 1395  
Chartered Accountants

No. 232 2nd Floor Block A Damansara Intan  
No. 1 Jalan SS 20/27 47400 Petaling Jaya  
Tel: 03-77268992  
Fax: 03-77284992

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

**TAN CHIN HUAT & CO.**  
Firm No. AF 1395  
Chartered Accountants

**TAN CHIN HUAT**  
Approval No: 2037/06/08(J)  
Proprietor

Petaling Jaya

Date : 1st April 2008

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2007**

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue		94,800,794	62,906,680	88,320,846	59,813,628
Other operating income	6	2,707,457	202,676	1,934,468	183,213
Changes in inventories of trading merchandise		3,012,349	3,395,953	(523,170)	3,398,624
Purchases and other direct costs		(82,624,976)	(50,306,928)	(73,661,588)	(47,219,369)
Staff costs		(5,645,129)	(2,691,096)	(4,704,226)	(1,560,067)
Depreciation of property, plant and equipment		(499,714)	(432,733)	(251,642)	(244,853)
Directors' remuneration	7	(746,759)	(579,718)	(746,759)	(520,260)
Amortisation of development costs	12	(5,591,695)	(3,992,413)	(5,591,695)	(3,992,413)
Other operating expenses	6	(3,140,288)	(2,114,627)	(2,084,313)	(1,775,280)
<b>Profit from operations</b>		<u>2,272,039</u>	<u>6,387,794</u>	<u>2,691,921</u>	<u>8,083,223</u>
Finance costs	8	(353,853)	(105,009)	(333,009)	(102,301)
Share of results in associate		(197,666)	(16,935)	-	-
<b>Profit before tax</b>		<u>1,720,520</u>	<u>6,265,850</u>	<u>2,358,912</u>	<u>7,980,922</u>
Income tax credit/(expense)	9	(158,461)	172,135	(210,154)	(51,214)
<b>Net profit for the financial year</b>		<u><u>1,562,059</u></u>	<u><u>6,437,985</u></u>	<u><u>2,148,758</u></u>	<u><u>7,929,708</u></u>
Attributable to:					
Equity holders of the Company		1,956,908	6,984,277		
Minority interests		<u>(394,849)</u>	<u>(546,292)</u>		
		<u><u>1,562,059</u></u>	<u><u>6,437,985</u></u>		
<b>Earnings per share attributable to equity holders of the Company:</b>					
Basic (sen)	10	<u>0.83</u>	<u>3.55</u>		
Diluted (sen)	10	<u>N/A</u>	<u>3.49</u>		

The above income statements are to be read in conjunction with the accompanying notes to the financial statements.

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 31ST DECEMBER 2007**

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	3,196,619	6,702,107	1,056,279	920,357
Development costs	12	21,755,961	11,739,882	21,755,961	11,533,244
Investment in subsidiaries	13	-	-	1,157,282	2,157,282
Investment in associate	14	151,162	158,065	-	-
Other investment	15	727,206	-	1,000,000	-
Deferred tax assets	16	241,307	580,158	-	-
Total non-current assets		<u>26,072,255</u>	<u>19,180,212</u>	<u>24,969,522</u>	<u>14,610,883</u>
<b>Current assets</b>					
Inventories	17	9,558,697	6,546,348	5,682,412	6,205,582
Trade receivables	18	45,593,436	19,166,358	42,567,334	17,196,067
Other receivables and prepaid expenses	18	8,117,833	2,908,671	7,101,957	2,112,163
Amount owing by subsidiaries	13	-	-	9,685,487	8,892,455
Amount owing by associate	14	70,174	70,326	-	-
Fixed deposits with licensed banks	19	13,845,582	6,033,330	13,793,732	5,483,330
Cash and bank balances		5,518,528	4,140,924	5,150,504	2,881,456
Total current assets		<u>82,704,250</u>	<u>38,865,957</u>	<u>83,981,426</u>	<u>42,771,053</u>
<b>Total assets</b>		<u><u>108,776,505</u></u>	<u><u>58,046,169</u></u>	<u><u>108,950,948</u></u>	<u><u>57,381,936</u></u>

(Forward)

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 31ST DECEMBER 2007**

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Issued capital	20	26,757,305	20,328,845	26,757,305	20,328,845
Reserves	21	<u>65,309,372</u>	<u>32,978,161</u>	<u>66,995,309</u>	<u>34,472,746</u>
Equity attributable to equity holders of the Company		92,066,677	53,307,006	93,752,614	54,801,591
Minority interests		<u>88,441</u>	<u>652,399</u>	-	-
<b>Total equity</b>		<u><u>92,155,118</u></u>	<u><u>53,959,405</u></u>	<u><u>93,752,614</u></u>	<u><u>54,801,591</u></u>
<b>Non-current liabilities</b>					
Hire purchase and finance lease creditors	22	168,858	151,550	168,858	51,587
Deferred tax liabilities	16	34,428	216,647	29,362	19,967
Total non-current liabilities		<u>203,286</u>	<u>368,197</u>	<u>198,220</u>	<u>71,554</u>
<b>Current liabilities</b>					
Trade payables	23	1,442,260	457,072	255,477	307,694
Other payables and accrued expenses	23	1,143,833	1,563,582	912,629	569,832
Bank borrowing	24	13,658,000	1,575,000	13,658,000	1,575,000
Hire purchase and finance lease creditors - current portion	22	38,840	103,586	38,840	36,938
Tax liabilities		135,168	19,327	135,168	19,327
Total current liabilities		<u>16,418,101</u>	<u>3,718,567</u>	<u>15,000,114</u>	<u>2,508,791</u>
<b>Total liabilities</b>		<u><u>16,621,387</u></u>	<u><u>4,086,764</u></u>	<u><u>15,198,334</u></u>	<u><u>2,580,345</u></u>
<b>Total equity and liabilities</b>		<u><u>108,776,505</u></u>	<u><u>58,046,169</u></u>	<u><u>108,950,948</u></u>	<u><u>57,381,936</u></u>

The above balance sheets are to be read in conjunction with the accompanying notes to the financial statements.

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**MOBIF BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2007**

GROUP	←-----Attributable to Equity Holders of the Company----->					Minority Interests	Total Equity	
	←-----Non Distributable----->			Distributable				
	Issued capital	Share premium	Exchange fluctuation reserve	Share option reserve	Unappropriated profit			Total
RM	RM	RM	RM	RM	RM	RM	RM	
Balance as at 1st January 2006	18,563,314	-	-	-	10,824,297	29,387,611	149,675	29,537,286
Issuance of shares during the financial year	1,765,531	15,166,444	-	-	-	16,931,975	-	16,931,975
Subscription for shares issued by a subsidiary	-	-	-	-	-	-	1,049,016	1,049,016
Share issue expenses	-	(400,083)	-	-	-	(400,083)	-	(400,083)
Share options granted under ESOS	-	-	-	395,126	-	395,126	-	395,126
Exchange differences arising from consolidation of foreign subsidiaries	-	-	8,100	-	-	8,100	-	8,100
Net profit for the financial year representing total recognised income and expense for the year	-	-	-	-	6,984,277	6,984,277	(546,292)	6,437,985
Balance as at 31st December 2006	<u>20,328,845</u>	<u>14,766,361</u>	<u>8,100</u>	<u>395,126</u>	<u>17,808,574</u>	<u>53,307,006</u>	<u>652,399</u>	<u>53,959,405</u>

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**MOBIF BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2007**

GROUP	-----Attributable to Equity Holders of the Company-----						Minority Interests	Total Equity
	<-----Non Distributable----->			Distributable				
	Issued capital	Share premium	Exchange fluctuation reserve	Share option reserve	Unappropriated profit	Total		
RM	RM	RM	RM	RM	RM	RM	RM	
Balance as at 31st December 2006	20,328,845	14,766,361	8,100	395,126	17,808,574	53,307,006	652,399	53,959,405
Issuance of shares during the financial year:-								
- Private placement	2,032,800	9,960,720	-	-	-	11,993,520	-	11,993,520
- ESOS	4,395,660	22,461,735	-	(3,999,963)	-	22,857,432	-	22,857,432
Changes in equity interest in subsidiary	-	-	-	-	-	-	(169,109)	(169,109)
Share issue expenses	-	(2,118,409)	-	-	-	(2,118,409)	-	(2,118,409)
Employee's share option scheme:								
- options granted	-	-	-	4,069,722	-	4,069,722	-	4,069,722
- options lapsed	-	-	-	(464,885)	464,885	-	-	-
Exchange differences arising from consolidation of foreign subsidiaries	-	-	498	-	-	498	-	498
Net profit for the financial year representing total recognised income and expense for the year	-	-	-	-	1,956,908	1,956,908	(394,849)	1,562,059
Balance as at 31st December 2007	<u>26,757,305</u>	<u>45,070,407</u>	<u>8,598</u>	<u>-</u>	<u>20,230,367</u>	<u>92,066,677</u>	<u>88,441</u>	<u>92,155,118</u>

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**MOBIF BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2007**

COMPANY	Issued capital	<-----Non Distributable-----> Share premium	Share option reserve	Distributable Unappropriated profit	Total
	RM	RM	RM	RM	RM
Balance as at 1st January 2006	18,563,314	-	-	11,381,551	29,944,865
Issuance of shares during the financial year	1,765,531	15,166,444	-	-	16,931,975
Share issue expenses	-	(400,083)	-	-	(400,083)
Share options granted under ESOS	-	-	395,126	-	395,126
Net profit for the financial year representing total recognised income and expense for the year	-	-	-	7,929,708	7,929,708
Balance as at 31st December 2006	<u>20,328,845</u>	<u>14,766,361</u>	<u>395,126</u>	<u>19,311,259</u>	<u>54,801,591</u>
Issuance of shares during the financial year					
- private placement	2,032,800	9,960,720	-	-	11,993,520
- ESOS	4,395,660	22,461,735	(3,999,963)	-	22,857,432
Share issue expenses	-	(2,118,409)	-	-	(2,118,409)
Employee's share option scheme:					
- options granted	-	-	4,069,722	-	4,069,722
- options lapsed	-	-	(464,885)	464,885	-
Net profit for the financial year representing total recognised income and expense for the year	-	-	-	2,148,758	2,148,758
Balance as at 31st December 2007	<u><u>26,757,305</u></u>	<u><u>45,070,407</u></u>	<u><u>-</u></u>	<u><u>21,924,902</u></u>	<u><u>93,752,614</u></u>

The above statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2007**

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	1,720,520	6,265,850	2,358,912	7,980,922
Adjustments for:				
Allowance for doubtful debts	56,434	-	-	-
Amortisation of development costs	5,591,695	3,992,413	5,591,695	3,992,413
Bad debts written off	126,636	47,765	-	47,715
Deposits written off	3,626	-	-	-
Depreciation of property, plant and equipment	499,714	432,733	251,642	244,853
Interest income	(788,774)	(193,867)	(780,988)	(182,210)
Inventories written off	-	14,122	-	14,122
Share options granted under ESOS	4,069,722	395,126	4,069,722	395,126
Finance costs	353,853	105,009	333,009	102,301
Loss on disposal of property, plant and equipment	968	754	968	85
Gain on deemed disposal of subsidiary	(415,445)	-	-	-
Gain on deemed disposal of associate	(333,414)	-	-	-
Property, plant and equipment written off	-	62,625	-	57,376
Share of results in associate	197,666	16,935	-	-
<b>Operating profit before working capital changes</b>	<b>11,083,201</b>	<b>11,139,465</b>	<b>11,824,960</b>	<b>12,652,703</b>
Changes in working capital:				
(Increase)/Decrease in inventories	(3,012,349)	(3,518,847)	523,170	(3,412,746)
Increase in trade receivables	(26,610,148)	(3,955,716)	(25,371,267)	(2,157,047)
Increase in other receivables and prepaid expenses	(5,437,778)	(267,488)	(4,952,356)	(9,396)
Increase in fixed deposits pledge	(9,614,424)	(3,550,000)	(10,112,474)	(3,000,000)
Increase in amount owing by subsidiaries	-	-	(793,032)	(8,031,755)
(Increase)/Decrease in amount owing by associate	152	(70,326)	-	-
Increase/(Decrease) in trade payables	5,098,664	(3,287,162)	(52,217)	(3,286,003)
Increase/(Decrease) in other payables and accrued expenses	(81,302)	484,981	342,797	(393,946)
Decrease in amount owing to director	-	(28,314)	-	-
<b>Cash Used In Operations</b>	<b>(28,573,984)</b>	<b>(3,053,407)</b>	<b>(28,590,419)</b>	<b>(7,638,190)</b>
Interest received	757,630	142,684	743,550	142,684
Interest paid	(353,853)	(105,009)	(333,009)	(100,513)
Tax paid	(84,918)	(22,400)	(84,918)	(22,400)
Development costs incurred	(15,790,307)	(4,814,241)	(15,783,707)	(4,607,603)
<b>Net Cash Used In Operating Activities</b>	<b>(44,045,432)</b>	<b>(7,852,373)</b>	<b>(44,048,503)</b>	<b>(12,226,022)</b>

(Forward)

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2007**

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(1,015,189)	(5,888,524)	(287,637)	(159,165)
Proceeds from disposal of property, plant and equipment	85,400	27,605	85,400	600
Acquisition of shares in subsidiary (Note 13)	-	1,000,016	-	(1,657,282)
Purchase of investment in associate	-	(175,000)	-	-
<b>Net Cash Used In Investing Activities</b>	<u>(929,789)</u>	<u>(5,035,903)</u>	<u>(202,237)</u>	<u>(1,815,847)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	34,850,952	16,931,975	34,850,952	16,931,975
Payment of share issue expenses	(2,118,409)	(400,083)	(2,118,409)	(400,083)
Proceeds from issuance of shares to minority shareholders	-	49,000	-	-
Repayment of hire purchase obligations	(264,438)	(68,300)	(97,827)	(34,978)
Increase in bank borrowing	12,083,000	576,000	12,083,000	576,000
<b>Net Cash From Financing Activities</b>	<u>44,551,105</u>	<u>17,088,592</u>	<u>44,717,716</u>	<u>17,072,914</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(424,116)	4,200,316	466,976	3,031,045
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(452)	8,100	-	-
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	6,374,254	2,165,838	5,114,786	2,083,741
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 26)</b>	<u>5,949,686</u>	<u>6,374,254</u>	<u>5,581,762</u>	<u>5,114,786</u>

Note: During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,232,189 (2006: RM6,088,457) and RM504,637 (2006: RM159,165) of which RM217,000 (2006: RM199,933) and RM217,000 (2006: RM Nil) was acquired under hire purchase and finance lease arrangement. Cash payments by the Group and by the Company for the acquisition of property, plant and equipment amounted to RM1,015,189 (2006: RM5,888,524) and RM287,637 (2006: RM159,165) respectively.

The above cash flow statements are to be read in conjunction with the accompanying notes to the financial statements.

**MOBIF BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**1) GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are the provision of internet-based surveillance systems, machine control with visual inspection software and other information technology services such as systems integration, support services and training. The principal activities of the subsidiaries are as disclosed in Note 13 to the Financial Statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at No: 149-A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The principal place of business of the Company is located at Unit No. 1-5-34, Krystal Point Corporate Park, Lebu Bukit Kecil 6, Off Jalan Tun Dr Awang, 11900 Bayan Lepas, Pulau Pinang.

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

The financial statements of the Company have been authorised by the Board of Directors for issuance on 1st April 2008.

**2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

At the beginning of the current financial year, the Group adopted new/revised Financial Reporting Standards (FRSs) which are mandatory for financial periods beginning on or after 1st October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

**Standards and interpretations issued but not yet effective**

At the date of authorisation of the financial statements, the following FRSs, amendment to FRS and Interpretations ("IC Interpretations") were issued but not yet effective until future periods:

FRSs, amendment to FRS and IC Interpretations

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

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

The revised FRSs, amendments to FRS and IC Interpretations are not expected to have significant impact on the financial statements of the Group and of the Company upon their initial application for financial year commencing on 1st January 2008.

The preparation of financial statements in conformity with the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported results during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Director's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 to the Financial Statements.

### 3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including market, foreign currency exchange and interest rate risk, along with credit, liquidity and cash flow risk. The Group's overall financial risk management objectives are to ensure that there is sufficient level of liquidity and its ability to finance the Group's operations, with a view to minimise potential adverse effects on the financial performance of the Group and to create value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, insurance programme and adherence to the Group's financial risks management policies.

#### ***Market risk***

The Group has in place policies to manage its competitive risks from its competitors in providing better alternatives in terms of better services. The Group regularly takes part in various research to develop better alternatives or attractive packages.

#### ***Foreign currency exchange risk***

The Group's main foreign currency exchange exposure is in United States Dollars (USD). The Group's foreign currency exchange exposure arise mainly from trade transactions in foreign currencies. Management believes that the Group's foreign currency exchange risk is minimal and accordingly, no hedging is performed.

#### ***Interest rate risk***

The Group practises prudent interest rate risk management for the purpose of reducing net interest costs and to achieve interest rates within predictable, desired ranges.

#### ***Credit risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all credit applications and investments before a decision is made.

### **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient level of cash and cash equivalents to meet its working capital requirements.

### **Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

### **Fair values**

The fair values of the financial assets and financial liabilities reported in the balance sheets as at 31st December 2007 approximate the carrying amounts of these assets and liabilities because of the immediate or short-term maturity of these financial instruments except for the following:-

	GROUP AND COMPANY	
	Carrying amount	Fair value
<b>Financial liabilities</b>	RM	RM
Hire purchase and finance lease obligations (Note 22)	<u>207,698</u>	<u>195,690</u>

The fair values of the hire purchase and finance lease obligations are estimated using the discounted cash flow analysis based on current rates available for similar arrangement.

## **4) SIGNIFICANT ACCOUNTING POLICIES**

### **a) Basis of Accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

### **b) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from goods sold is recognised upon delivery of goods and when the risks and rewards of ownership have passed. Revenue represents the invoiced value of goods sold and services rendered net of discounts and returns.

### **c) Transaction in Foreign Currencies**

#### **Foreign Currency Conversion**

#### **(i) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are measured using 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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

(iii) Foreign Operations

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiaries have been translated into Ringgit Malaysia as follows:

Assets and liabilities	-at closing rate
Issued capital	-at historical rate
Revenue and expenses	-at average rate

All resulting exchange differences are taken to the exchange fluctuation reserve within equity.

**d) 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 tax 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, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 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 in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

**e) Property, Plant and Equipment**

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 statements during the financial year in which they are incurred.

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

Depreciation of property, plant and equipment is calculated to write off the cost of the assets on a straight-line basis over the expected useful lives of the assets concerned. The annual depreciation rates used are as follows:-

	%
Office equipment, furniture and fittings	10 - 20
Computers	20
Renovation	20
Motor vehicles	20
Telecommunication network and equipment	10 - 20
Plant and machinery	20

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 4(k) on impairment of assets.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in the income statements.

#### **f) Basis of Consolidation**

##### **(i) Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition dates, irrespective of the extent of any minority interest. Any excess of the cost of 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 the income statements.

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.

All significant intercompany balances and transactions have been eliminated on consolidation.

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statement. 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 or losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. 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 associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

**g) Investments**

Investments in subsidiaries and associates are shown at cost. Where there is an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy for recognition and measurement of impairment losses is in accordance with Note 4(k).

Other investments in unquoted shares are stated at cost less allowance for diminution in value of investment to recognise any decline, other than a temporary decline, in the value of the investments.

**h) Research and Development Costs**

All research costs are recognised in the income statements as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

**i) Inventories**

Inventories are valued at the lower of cost (determined principally on the first-in, first-out method) and net realisable value. Cost consists of purchases and other direct costs incurred in bringing the inventories to its present condition and location.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

## **j) 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 agreement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are 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) Receivables**

Trade and other receivables are stated at nominal values as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

### **(ii) Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for services received.

### **(iii) Equity Instruments**

Ordinary shares are classified as equity. Dividends are recognised in equity in the year in which they are declared.

## **k) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statements immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

## **l) Finance Leases**

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligation, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**m) Provisions**

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

**n) Employee Benefits**

(i) Short term benefits

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

(ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements as incurred.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statements with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statements, with a corresponding adjustment to the share option reserve over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

**o) Cash Flow Statements**

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

**p) Segment Reporting**

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and segment liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

## 5) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 4 above, management is of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

### Key sources of estimation uncertainty

Management believes that there are no key assumptions made 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 (apart from those involving estimations which are dealt with below).

#### (i) Impairment of development costs

The Group determines whether development costs are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which development costs are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### (ii) Allowance for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of the ability to collect and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, allowance for bad and doubtful debts may be required.

#### (iii) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and function. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non strategic assets that have been abandoned or sold.

#### (iv) Deferred tax assets

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

## 6) OTHER OPERATING INCOME/(EXPENSES)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Other operating income/(expenses) is stated after charging:-				
Allowance for doubtful debts	56,434	-	-	-
Auditors' remuneration	26,068	29,234	16,000	14,000
Bad debts written off	126,636	47,765	-	47,715
Deposits written off	3,626	-	-	-
Inventories written off	-	14,122	-	14,122
Loss on disposal of property, plant and equipment	968	754	968	85
Loss on foreign exchange	637,743	76,401	623,196	29,675
Property, plant and equipment written off	-	62,625	-	57,376
Rental of hostel	86,500	36,512	86,500	36,512
Rental of premises	265,635	267,371	184,358	189,688
Rental of machinery	28,695	1,000	10,095	1,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
And crediting:				
Interest income from fixed deposits	371,005	193,867	363,219	182,210
Interest income from advances given	417,769	-	417,769	-
Gain on deemed disposal of subsidiary	415,445	-	-	-
Gain on deemed disposal of associate	333,414	-	-	-
Gain on foreign exchange	782,033	2,774	782,033	1,003
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 7) DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Executive Directors:</b>				
Salaries and other emoluments				
- Directors of the Company	703,211	472,260	703,211	472,260
- Directors of subsidiaries	-	59,458	-	-
	<u>703,211</u>	<u>531,718</u>	<u>703,211</u>	<u>472,260</u>
<b>Non-Executive Directors:</b>				
Fee				
- Directors of the Company	43,548	48,000	43,548	48,000
	<u>43,548</u>	<u>48,000</u>	<u>43,548</u>	<u>48,000</u>
	<u>746,759</u>	<u>579,718</u>	<u>746,759</u>	<u>520,260</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2007	2006
Executive Directors:		
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	2	1
RM250,001 - RM300,000	-	1
RM300,001 - RM350,000	1	-
Non-Executive Directors:		
RM1 - RM50,000	3	2

#### 8) FINANCE COSTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Interest on:				
Advances given	-	-	-	1,788
Bankers' acceptances	245,818	93,551	227,222	93,551
Hire purchase	8,208	11,458	5,960	6,962
Letter of credits	99,827	-	99,827	-
	<u>353,853</u>	<u>105,009</u>	<u>333,009</u>	<u>102,301</u>

#### 9) INCOME TAX CREDIT/(EXPENSE)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Estimated income tax payable:				
Taxation based on				
interest income received	(200,759)	(40,147)	(200,759)	(40,147)
Deferred tax in respect of:				
Tax assets (Note 16)	50,437	414,399	-	-
Tax liabilities (Note 16)	(8,139)	(202,117)	(9,395)	(11,067)
	<u>42,298</u>	<u>212,282</u>	<u>(9,395)</u>	<u>(11,067)</u>
	<u>(158,461)</u>	<u>172,135</u>	<u>(210,154)</u>	<u>(51,214)</u>

A numerical reconciliation between the income tax credit/(expense) and the product of accounting profit multiplied by the applicable statutory income tax rate are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Accounting profit	<u>1,720,520</u>	<u>6,265,850</u>	<u>2,358,912</u>	<u>7,980,922</u>
Tax expense at the applicable statutory income tax rate of 20%/27%/28%	(534,184)	(1,864,875)	(636,906)	(2,234,658)
Tax effects of:				
Expenses that are not deductible for tax purposes	(2,734,679)	(1,290,570)	(2,686,506)	(1,226,236)
Expenses capitalised as development costs	4,261,601	1,290,129	4,261,601	1,290,129
Income exempted from tax	-	2,119,551	-	2,119,551
Deferred tax assets not recognised in current year	(1,149,799)	(31,941)	(1,148,343)	-
Reversal of prior years deferred tax assets	(1,400)	(50,159)	-	-
Income tax credit/(expense)	<u>(158,461)</u>	<u>172,135</u>	<u>(210,154)</u>	<u>(51,214)</u>

The Company has been awarded Multimedia Super Corridor status in 2001 and in this connection, has been granted pioneer status for a period of five (5) years. The pioneer status granted has been extended for another five (5) years expiring in 2011. Accordingly, there is no tax charge on business income in 2007 and 2006 as the Company has been granted pioneer status under the Promotion of Investments (Amendment) Act, 1997. The provision for taxation of the Company in 2007 and 2006 is in respect of interest income received.

As at 31st December 2007, the Company has pre-pioneer unutilised business losses and unabsorbed capital allowances totalling about RM868,500 (2006: RM868,500), which subject to agreement by the tax authorities, are available for offset against future taxable income.

## 10) EARNINGS PER ORDINARY SHARE

### Basic earnings per share

The basic earnings per share of the Group is calculated based on the profit attributable to equity holders of the Company for the year of RM1,956,908 (2006: RM6,984,277) and on the weighted average number of ordinary shares of RM0.10 each in issue during the financial year of 236,970,538 (2006: 196,475,919).

### Diluted earnings per share

The diluted earnings per share of the Group has not been presented as there are no dilutive potential ordinary shares during the financial year.

For the purpose of calculating diluted earnings per share in 2006, the profit for the year and the weighted average number of ordinary shares in issue in 2006 have been adjusted for the dilutive effect of potential ordinary shares i.e. share options granted to employees.

	2006 RM
Profit attributable to equity holders of the Company	<u>6,984,277</u>
	2006
Weighted average number of ordinary shares in issue	196,475,919
Effect of dilution:	
Share options	<u>3,856,765</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>200,332,684</u>
	2006
Diluted earnings per share (sen)	<u>3.49</u>

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## 11) PROPERTY, PLANT AND EQUIPMENT

GROUP	Office equipment, furniture and fittings RM	Computers RM	Renovation RM	Motor vehicles RM	Tele- communication network and equipment RM	Plant and machinery RM	Total RM
<b>2007</b>							
<b>Cost</b>							
As at 1st January 2007	428,444	2,802,494	392,697	225,000	5,561,165	454,400	9,864,200
Additions	4,959	36,068	159,300	313,922	717,940	-	1,232,189
Disposals	-	(17,025)	-	(225,000)	-	-	(242,025)
Exchange differences	-	-	-	-	950	-	950
Arising from deemed disposal of subsidiary	(30,278)	(92,108)	-	-	(4,376,483)	-	(4,498,869)
As at 31st December 2007	<u>403,125</u>	<u>2,729,429</u>	<u>551,997</u>	<u>313,922</u>	<u>1,903,572</u>	<u>454,400</u>	<u>6,356,445</u>
<b>Accumulated depreciation</b>							
As at 1st January 2007	145,876	2,297,364	137,456	135,000	161,537	284,860	3,162,093
Charge for the financial year	56,979	42,851	94,643	35,216	209,850	90,880	530,419
Disposals	-	(5,657)	-	(150,000)	-	-	(155,657)
Arising from deemed disposal of subsidiary	(1,322)	(4,320)	-	-	(371,387)	-	(377,029)
As at 31st December 2007	<u>201,533</u>	<u>2,330,238</u>	<u>232,099</u>	<u>20,216</u>	<u>-</u>	<u>375,740</u>	<u>3,159,826</u>
<b>Net book value as at 31st December 2007</b>	<u>201,592</u>	<u>399,191</u>	<u>319,898</u>	<u>293,706</u>	<u>1,903,572</u>	<u>78,660</u>	<u>3,196,619</u>

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**11) PROPERTY, PLANT AND EQUIPMENT (Continued)**

GROUP	Office equipment, furniture and fittings RM	Computers RM	Renovation RM	Motor vehicles RM	Tele- communication network and equipment RM	Plant and machinery RM	Total RM
<b>2006</b>							
<b>Cost</b>							
As at 1st January 2006	335,277	2,605,107	315,012	225,000	-	454,400	3,934,796
Additions	134,025	197,387	195,880	-	5,561,165	-	6,088,457
Disposals	(36,757)	-	-	-	-	-	(36,757)
Written off	(4,101)	-	(118,195)	-	-	-	(122,296)
As at 31st December 2006	<u>428,444</u>	<u>2,802,494</u>	<u>392,697</u>	<u>225,000</u>	<u>5,561,165</u>	<u>454,400</u>	<u>9,864,200</u>
<b>Accumulated depreciation</b>							
As at 1st January 2006	100,918	1,753,449	125,121	90,000	-	193,980	2,263,468
Charge for the financial year	54,381	543,915	70,981	45,000	161,537	90,880	966,694
Disposals	(8,398)	-	-	-	-	-	(8,398)
Written off	(1,025)	-	(58,646)	-	-	-	(59,671)
As at 31st December 2006	<u>145,876</u>	<u>2,297,364</u>	<u>137,456</u>	<u>135,000</u>	<u>161,537</u>	<u>284,860</u>	<u>3,162,093</u>
<b>Net book value</b>							
<b>as at 31st December 2006</b>	<u>282,568</u>	<u>505,130</u>	<u>255,241</u>	<u>90,000</u>	<u>5,399,628</u>	<u>169,540</u>	<u>6,702,107</u>

Cost and net book value as at year end for property, plant and equipment acquired under hire purchase and finance lease for the Group were RM313,922 (2006: RM424,933) and RM293,706 (2006: RM266,607) respectively.

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**11) PROPERTY, PLANT AND EQUIPMENT (Continued)**

COMPANY	Office equipment, furniture and fittings RM	Computers RM	Renovation RM	Motor vehicles RM	Plant and machinery RM	Total RM
<b>2007</b>						
<b>Cost</b>						
As at 1st January 2007	304,064	2,669,806	235,128	225,000	454,400	3,888,398
Additions	4,060	27,355	159,300	313,922	-	504,637
Disposals	-	(17,025)	-	(225,000)	-	(242,025)
As at 31st December 2007	<u>308,124</u>	<u>2,680,136</u>	<u>394,428</u>	<u>313,922</u>	<u>454,400</u>	<u>4,151,010</u>
<b>Accumulated depreciation</b>						
As at 1st January 2007	139,030	2,279,723	129,428	135,000	284,860	2,968,041
Charge for the financial year	46,660	30,705	78,886	35,216	90,880	282,347
Disposals	-	(5,657)	-	(150,000)	-	(155,657)
As at 31st December 2007	<u>185,690</u>	<u>2,304,771</u>	<u>208,314</u>	<u>20,216</u>	<u>375,740</u>	<u>3,094,731</u>
<b>Net book value as at 31st December 2007</b>	<u>122,434</u>	<u>375,365</u>	<u>186,114</u>	<u>293,706</u>	<u>78,660</u>	<u>1,056,279</u>

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**11) PROPERTY, PLANT AND EQUIPMENT (Continued)**

COMPANY	Office equipment, furniture and fittings RM	Computers RM	Renovation RM	Motor vehicles RM	Plant and machinery RM	Total RM
<b>2006</b>						
<b>Cost</b>						
As at 1st January 2006	288,343	2,565,423	312,114	225,000	454,400	3,845,280
Additions	16,471	104,383	38,311	-	-	159,165
Disposals	(750)	-	-	-	-	(750)
Written off	-	-	(115,297)	-	-	(115,297)
As at 31st December 2006	<u>304,064</u>	<u>2,669,806</u>	<u>235,128</u>	<u>225,000</u>	<u>454,400</u>	<u>3,888,398</u>
<b>Accumulated depreciation</b>						
As at 1st January 2006	92,930	1,745,762	124,541	90,000	193,980	2,247,213
Charge for the financial year	46,165	533,961	62,808	45,000	90,880	778,814
Disposals	(65)	-	-	-	-	(65)
Written off	-	-	(57,921)	-	-	(57,921)
As at 31st December 2006	<u>139,030</u>	<u>2,279,723</u>	<u>129,428</u>	<u>135,000</u>	<u>284,860</u>	<u>2,968,041</u>
<b>Net book value</b>						
<b>as at 31st December 2006</b>	<u>165,034</u>	<u>390,083</u>	<u>105,700</u>	<u>90,000</u>	<u>169,540</u>	<u>920,357</u>

Cost and net book value as at year end for property, plant and equipment acquired under hire purchase for the Company were RM313,922 (2006: RM225,000) and RM293,706 (2006: RM90,000) respectively.

## 12) DEVELOPMENT COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cost				
As at beginning of financial year	21,827,574	16,479,372	21,620,936	16,479,372
Additions during the financial year	15,821,012	5,348,202	15,814,412	5,141,564
Arising from deemed disposal of subsidiary	(213,238)	-	-	-
	<u>37,435,348</u>	<u>21,827,574</u>	<u>37,435,348</u>	<u>21,620,936</u>
Less:				
Cumulative amortisation:-				
-As at beginning of financial year	(10,087,692)	(6,095,279)	(10,087,692)	(6,095,279)
-Charge for the financial year	(5,591,695)	(3,992,413)	(5,591,695)	(3,992,413)
	<u>(15,679,387)</u>	<u>(10,087,692)</u>	<u>(15,679,387)</u>	<u>(10,087,692)</u>
As at end of financial year	<u>21,755,961</u>	<u>11,739,882</u>	<u>21,755,961</u>	<u>11,533,244</u>

Included in development costs of the Group and the Company during the financial year is depreciation of property, plant and equipment amounting to RM30,705 (2006: RM533,961).

## 13) INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares - At cost	<u>1,157,282</u>	<u>2,157,282</u>

The details of the subsidiaries are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
		2007 %	2006 %	
Mobif Global Sdn. Bhd.	Malaysia	100	100	Dealing in telecommunication products and related services
Mobif Technology (Beijing) Co. Ltd**	The People's Republic of China	100	100	Dealing in telecommunication products and related services
Mobif Systems Co. Ltd**	Thailand	99.99	99.99	Dealing in telecommunication products and related services
Mobif Global (Borneo) Sdn. Bhd. *	Malaysia	51	51	Dealing in telecommunication products and related services
iZZinet Sdn. Bhd. (Formerly known as Mobif Wireless Broadband Sdn. Bhd.)	Malaysia	-	50 and 1 share	Dealing in telecommunication products and related services

\* Held indirectly through Mobif Global Sdn. Bhd.

\*\* Audited by firms other than auditors of the Company.

The amount owing by subsidiaries, which arose mainly from normal trade transactions, expenses paid on behalf and interest-free advances given, is unsecured and bears no fixed terms of repayment.

Significant related party transactions undertaken during the financial year are as follows:-

	COMPANY	
	2007 RM	2006 RM
Sales to Mobif Global Sdn. Bhd., a subsidiary	281,301	893,404
Purchases from Mobif Global Sdn. Bhd., a subsidiary	(29,491)	(21,451)
Interest on advances given by Mobif Systems Co. Ltd, a subsidiary	<u>-</u>	<u>(1,788)</u>

During the financial year, iZZinet Sdn. Bhd. increased its issued and paid-up share capital progressively from RM1,999,999 to RM11,111,000 to certain third parties. As a result, iZZinet Sdn. Bhd. is no longer a subsidiary of the Company as the Company's equity interest in iZZinet Sdn. Bhd. decreased gradually from 50% plus 1 share to 9% as at year end.

The effect on deemed disposal of the subsidiary is analysed as follows:

	2007 RM
Non-current assets	4,724,366
Current assets	<u>256,135</u>
Total assets	4,980,501
Non-current liabilities	(190,358)
Current liabilities	<u>(4,451,924)</u>
Net asset	338,219
Less: Minority interests	<u>(169,109)</u>
	169,110
Less: Cash and cash equivalents deemed disposed	<u>-</u>
	169,110
Less: Carrying amount of investment in associate	<u>(584,555)</u>
	(415,445)
Add: Gain on deemed disposal	415,445
Net cashflow arising from deemed disposal of subsidiary	<u><u>-</u></u>

In 2006, the Group acquired the following:

- i) 100% equity interest in Mobif Technology (Beijing) Co. Ltd for a cash consideration of RM534,660;
- ii) 99.99% equity interest in Mobif Systems Co. Ltd for a cash consideration of RM122,622; and
- iii) 50% equity interest plus 1 share in iZZinet Sdn. Bhd. (Formerly known as Mobif Wireless Broadband Sdn. Bhd.) for a cash consideration of RM1,000,000.

The effects of these acquisitions on the financial results of the Group in 2006 are as follows:

Post-acquisition results of the subsidiaries acquired:

	2006 RM
Revenue	347,587
Other operating income	13,445
Changes in inventories of trading merchandise	(252,669)
Purchases and direct costs	(214,524)
Staff costs	(331,818)
Depreciation of property, plant and equipment	(166,918)
Other operating expenses	<u>(630,636)</u>
	(1,235,533)
Income tax credit	<u>151,132</u>
	(1,084,401)
Minority interests	<u>464,390</u>
Decrease in Group's profit attributable to shareholders	<u><u>(620,011)</u></u>

The effects of these acquisitions on the financial position of the Group as at 31st December 2006 are as follows:

	2006 RM
Net assets acquired:	
Cash and bank balances	2,657,298
Less: Minority interest	<u>(1,000,016)</u>
Total cash consideration	1,657,282
Less: Cash and bank balances	<u>(2,657,298)</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u><u>(1,000,016)</u></u>

#### 14) INVESTMENT IN ASSOCIATE

	GROUP	
	2007 RM	2006 RM
Unquoted shares - At cost	175,000	175,000
Less: Share of post-acquisition loss	<u>(23,838)</u>	<u>(16,935)</u>
	<u><u>151,162</u></u>	<u><u>158,065</u></u>

The associate of the Group is Mobif Value Vision Sdn. Bhd., a company incorporated in Malaysia, in which the Group effectively holds 17.85% (2006: 17.85%) equity interest via its subsidiary, Mobif Global (Borneo) Sdn. Bhd. The associate is principally involved in the business of dealing in telecommunication products and related services.

The summarised financial information of the associate are as follows:

	GROUP	
	2007 RM	2006 RM
<b>Assets and liabilities</b>		
Current assets	393,527	984,260
Non-current assets	128,692	44,789
Total assets	<u>522,219</u>	<u>1,029,049</u>
Current liabilities	155,367	601,533
Non-current liabilities	10,492	1,774
Total liabilities	<u>165,859</u>	<u>603,307</u>
<b>Results</b>		
Revenue	668,116	38,112
Net loss for the financial year	<u>(59,382)</u>	<u>(74,258)</u>

The amount owing by associate arose mainly from expenses paid on behalf and interest-free advances given with no fixed terms of repayment.

#### 15) OTHER INVESTMENT

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares- At cost	<u>727,206</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>

#### 16) DEFERRED TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Deferred tax assets</b>				
At beginning of year	580,158	165,759	-	-
Recognised in income statements (Note 9)	50,437	414,399	-	-
Arising from deemed disposal of subsidiary	(389,288)	-	-	-
At end of year	<u>241,307</u>	<u>580,158</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities</b>				
At beginning of year	216,647	14,530	19,967	8,900
Recognised in income statements (Note 9)	8,139	202,117	9,395	11,067
Arising from deemed disposal of subsidiary	(190,358)	-	-	-
At end of year	<u>34,428</u>	<u>216,647</u>	<u>29,362</u>	<u>19,967</u>

The recognised deferred tax assets and liabilities are made up of the following:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Deferred tax assets</b>				
Tax effects of:				
Unabsorbed capital allowances	11,295	392,712	-	-
Unutilised tax losses	230,012	186,046	-	-
Other temporary differences	-	1,400	-	-
	<u>241,307</u>	<u>580,158</u>	<u>-</u>	<u>-</u>
<b>Deferred tax liabilities</b>				
Tax effects of:				
Temporary differences between tax capital allowances and book depreciation of property, plant and equipment	5,066	196,680	-	-
Temporary difference arising from realisation of fixed deposit interest receivable	29,362	19,967	29,362	19,967
	<u>34,428</u>	<u>216,647</u>	<u>29,362</u>	<u>19,967</u>

#### 17) INVENTORIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Trading merchandise - At cost	<u>9,558,697</u>	<u>6,546,348</u>	<u>5,682,412</u>	<u>6,205,582</u>

#### 18) TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	45,649,870	19,166,358	42,567,334	17,196,067
Less: Allowance for doubtful debts	(56,434)	-	-	-
Net	<u>45,593,436</u>	<u>19,166,358</u>	<u>42,567,334</u>	<u>17,196,067</u>

Trade receivables comprise amounts receivable for the sale of goods and services rendered. The credit period granted on sale of goods and services rendered ranges from 60 to 90 days.

Other receivables and prepaid expenses consist of :-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables	4,974,107	2,418	4,460,843	-
Advance payment	578,015	179,933	576,765	57,252
Refundable deposits	2,451,600	2,554,992	1,955,601	1,983,601
Interest income receivable	114,111	82,967	108,748	71,310
Deferred cost	-	88,361	-	-
	<u>8,117,833</u>	<u>2,908,671</u>	<u>7,101,957</u>	<u>2,112,163</u>

## 19) FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits of the Group and of the Company are amounts totalling RM13,414,324 (2006: RM3,800,000) and RM13,362,474 (2006: RM3,250,000) respectively representing fixed deposits which are pledged to the banks for banking facilities granted.

## 20) SHARE CAPITAL

	GROUP AND COMPANY			
	2007		2006	
	RM		RM	
<b>Authorised:</b>				
3,000,000,000 ordinary shares of RM0.10 each	<u>300,000,000</u>		<u>300,000,000</u>	
	Number of ordinary shares of RM0.10 each			
	GROUP AND COMPANY		GROUP AND COMPANY	
	2007		2006	
	RM		RM	
<b>Issued and fully paid:</b>				
As at beginning of financial year	203,288,454	185,633,140	20,328,845	18,563,314
Issued during the financial year	<u>64,284,600</u>	<u>17,655,314</u>	<u>6,428,460</u>	<u>1,765,531</u>
As at end of financial year	<u>267,573,054</u>	<u>203,288,454</u>	<u>26,757,305</u>	<u>20,328,845</u>

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM20,328,845 to RM26,757,305 by way of:

- (i) the issuance of 20,328,000 new ordinary shares of RM0.10 each through private placements at an issue price of RM0.59 per ordinary share for cash, for additional working capital purposes; and
- (ii) the issuance of 43,956,600 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employees Share Option Scheme at an exercise price of RM0.52 per ordinary share.

In 2006, the Company increased its issued and paid-up ordinary share capital from RM18,563,314 to RM20,328,845 by way of:

- (i) the issuance of 12,563,314 new ordinary shares of RM0.10 each through private placements at an issue price of RM0.91 per ordinary share for cash, for additional working capital purposes; and
- (ii) the issuance of 5,092,000 new ordinary shares of RM0.10 each for cash pursuant to the Company's Employees Share Option Scheme at an exercise price of RM1.08 per ordinary share.

All the new shares issued rank pari passu with the then existing ordinary shares.

During the financial year, the Mobif Berhad's Employees Share Option Scheme (ESOS) effective on 28th October 2005 for a period of five (5) years expiring on 27th October 2010 was terminated on 19th June 2007.

A new Mobif Berhad's ESOS was approved by shareholders at an Extraordinary General Meeting held on 19th June 2007 and became effective on the same date for a period of five (5) years.

The details of the new ESOS are contained in the Bye-Laws and the salient features of the ESOS are as follows:

- a) the total number of new shares which may be made available under the scheme shall not exceed in aggregate twenty per cent (20%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

- b) eligible persons are employees and Directors that have attained the age of eighteen (18) years on the date of offer and either
- (i) are classified as "employees" based on the terms of employment letter issued by the Company; or
  - (ii) in the case of Directors, the name appears in the Register of Directors on or before the date of offer;
- c) not more than fifty per cent (50%) of the shares under the ESOS will be granted to the Directors and senior management. In addition, the allocation to an eligible employee/Director who, either singly or collectively through persons connected with the eligible employee/Director, holds twenty per cent (20%) or more of the issued and paid-up share capital of the Company must not exceed ten per cent (10%) of the total number of shares available under the scheme;
- d) the option price shall be determined by the weighted average market price of the shares of the Company for the five (5) market days preceding the date of offer and may be at a discount of not more than ten per cent (10%) or at par value of the shares of the Company, whichever is higher; and
- e) the duration of the scheme shall be five (5) years from the commencement of the scheme.

The share options granted and exercised during the financial year are as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM0.10 each				Balance at 31.12.2007
		Balance at 01.01.2007	Granted	Exercised	Lapsed	
10.11.2005	1.08	10,575,000	-	-	(10,575,000)	-
07.08.2006	2.65	740,000	-	-	(740,000)	-
22.06.2007	0.52	-	44,723,200	(43,956,600)	(766,600)	-

**Fair value of the share options**

The fair value of the options granted was estimated by an external valuer using Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2007	2006
Fair value of share options granted on 22.06.2007/07.08.2006 (RM)	0.09	0.48
Weighted average share price (RM)	0.58	1.70
Weighted average exercise price (RM)	0.52	2.65
Expected volatility (%)	60.8	9.6
Expected life (years)	0.17	3.00
Risk free rate (%)	3.45	4.24
Expected dividend yield rate (%)	-	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

## 21) RESERVES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Non Distributable Reserve:</b>				
Share premium	45,070,407	14,766,361	45,070,407	14,766,361
Share option	-	395,126	-	395,126
Exchange fluctuation reserve	8,598	8,100	-	-
<b>Distributable Reserve:</b>				
Unappropriated profit	20,230,367	17,808,574	21,924,902	19,311,259
	<u>65,309,372</u>	<u>32,978,161</u>	<u>66,995,309</u>	<u>34,472,746</u>

### **Share premium**

Share premium arose from the following:

	GROUP AND COMPANY	
	2007 RM	2006 RM
Balance as at beginning of year	14,766,361	-
Issue of 20,328,000 ordinary shares at a premium of RM0.49 per ordinary share	9,960,720	-
Issue of 43,956,600 ordinary shares at a premium of RM0.42 per ordinary share	18,461,772	-
Share options of 43,956,600 exercised at fair value of RM0.09 per share option	3,999,963	-
Issue of 12,563,314 ordinary shares at a premium of RM0.81 per ordinary share	-	10,176,284
Issue of 5,092,000 ordinary shares at a premium of RM0.98 per ordinary share	-	4,990,160
Share issue expenses	(2,118,409)	(400,083)
Balance as at end of year	<u>45,070,407</u>	<u>14,766,361</u>

### **Share option reserve**

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

### **Exchange fluctuation reserve**

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

### Unappropriated profit

Distributable reserves are those available for distribution as dividends. Taking into consideration the tax-exempt accounts and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the Company is able to frank the payment of dividends out of its entire unappropriated profit as at 31st December 2007 without additional tax liabilities being incurred.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Company is given an irrevocable option to disregard the balance of dividend franking credit that is available in order to switch to the new single tier system from the year of assessment 2008. Upon such election, the Company will only be allowed to distribute single tier exempt dividend (without tax credit attached) to shareholders and the recipient of the dividend will not be able to claim tax credit as in the previous imputation system. As at the end of the financial year, the Company has not elected to switch to the single tier tax system.

### 22) HIRE PURCHASE AND FINANCE LEASE CREDITORS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Total hire purchase and finance lease liabilities	237,688	283,455	237,688	94,365
Less: Interest in suspense	(29,990)	(28,319)	(29,990)	(5,840)
Net balance payable	<u>207,698</u>	<u>255,136</u>	<u>207,698</u>	<u>88,525</u>
Repayable as follows :				
Portion payable within the next 12 months (included in current liabilities)	38,840	103,586	38,840	36,938
Portion payable after the next 12 months:-				
Payable between 1 and 2 years	41,452	106,090	41,452	39,442
Payable between 2 and 5 years	127,406	45,460	127,406	12,145
	<u>168,858</u>	<u>151,550</u>	<u>168,858</u>	<u>51,587</u>
	<u>207,698</u>	<u>255,136</u>	<u>207,698</u>	<u>88,525</u>

The interest rates on hire purchase and finance lease range from 3.30% to 4.50% (2006: 3.30% to 4.50%) per annum.

### 23) TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade and ongoing costs. The average credit period granted to the Group for trade purchases is 60 days.

Other payables and accrued expenses consist of :-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	940,635	1,234,591	869,912	506,706
Accrued expenses	122,708	157,008	42,717	63,126
Refundable deposits and prepaid rental received	40,707	41,184	-	-
Advance collections received	39,783	130,799	-	-
	<u>1,143,833</u>	<u>1,563,582</u>	<u>912,629</u>	<u>569,832</u>

## 24) BANK BORROWING

	GROUP AND COMPANY	
	2007	2006
	RM	RM
Bankers' acceptances	<u>13,658,000</u>	<u>1,575,000</u>

As at 31st December 2007, the Group has overdraft and other credit facilities totalling RM15,300,000 (2006: RM3,550,000) from licensed banks. These facilities are secured by pledge of fixed deposits and bear interest ranging from 1.2% to 8.75% (2006: 2.8% to 8.0%) per annum.

## 25) SIGNIFICANT RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short-term employee benefits	671,639	522,970	671,639	469,860
EPF expenses	75,120	56,748	75,120	50,400
Benefits in kind	2,034,861	-	2,034,861	-
Total	<u>2,781,620</u>	<u>579,718</u>	<u>2,781,620</u>	<u>520,260</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly. The key management personnel of the Group includes the directors, Group Chief Executive Officer, Chief Commercial Officer and the Heads of Finance and Information Technology.

Included in the total key management personnel are:

	2007	2006	2007	2006
	RM	RM	RM	RM
Directors' remuneration (Note 7)	<u>746,759</u>	<u>579,718</u>	<u>746,759</u>	<u>520,260</u>

Executive directors of the Company and other members of key management have been granted the following number of options under the ESOS:

	2007	2006
As of 1st January	7,600,000	7,600,000
Granted	22,361,600	-
Exercised	(22,361,600)	-
Lapsed	(7,600,000)	-
As of 31st December	<u>-</u>	<u>7,600,000</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Company (Note 20).

## 26) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	5,518,528	4,140,924	5,150,504	2,881,456
Fixed deposits with licensed banks	<u>13,845,582</u>	<u>6,033,330</u>	<u>13,793,732</u>	<u>5,483,330</u>
	19,364,110	10,174,254	18,944,236	8,364,786
Less:				
Fixed deposits pledged to licensed bank	<u>(13,414,424)</u>	<u>(3,800,000)</u>	<u>(13,362,474)</u>	<u>(3,250,000)</u>
	<u>5,949,686</u>	<u>6,374,254</u>	<u>5,581,762</u>	<u>5,114,786</u>

The average interest rate per annum of deposits that was effective as at the balance sheet date was 3.0% - 3.7% (2006: 3.7%). Deposits of the Group and of the Company have an average maturity of 3 months (3 months in 2006).

## 27) CAPITAL COMMITMENTS

	GROUP AND COMPANY	
	2007 RM	2006 RM
Approved and contracted for: Purchase of building	<u>1,863,000</u>	<u>-</u>

## 28) CONTINGENT LIABILITIES

	GROUP AND COMPANY	
	2007 RM	2006 RM
Bank guarantee in favour of Telekom Malaysia Berhad	175,000	-
Leasing arrangement entered into on behalf of a company, in which the Group has interests, in respect of the lease rental outstanding	<u>9,590,000</u>	<u>-</u>
	<u>9,765,000</u>	<u>-</u>

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**29) SEGMENTAL INFORMATION**

**Primary reporting- Business segments**

	VoIP system RM	Surveillance system RM	Customised inspection system RM	Tele- communications service RM	Eliminations RM	Consolidated RM
<b>2007</b>						
<b>REVENUE</b>						
External sales	52,169,567	9,516,586	30,691,737	2,422,904	-	94,800,794
Inter-segment sales	196,535	-	98,263	15,994	(310,792)	-
Total revenue	<u>52,366,102</u>	<u>9,516,586</u>	<u>30,790,000</u>	<u>2,438,898</u>	<u>(310,792)</u>	<u>94,800,794</u>
<b>RESULTS</b>						
Profit from operations	(1,171,050)	2,326,287	1,144,000	(102,329)	75,131	2,272,039
Finance costs						(353,853)
Share of results in associate						(197,666)
Profit before tax						<u>1,720,520</u>
Income tax expense						(158,461)
Profit after tax						<u>1,562,059</u>

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**29) SEGMENTAL INFORMATION (Continued)**

	VoIP system RM	Surveillance system RM	Customised inspection system RM	Tele- communications service RM	Eliminations RM	Consolidated RM
<b>2007</b>						
<b>OTHER INFORMATION</b>						
Segment assets	67,296,747	11,741,042	37,982,333	3,024,964	(11,268,581)	108,776,505
Segment liabilities	15,862,232	1,907,415	5,298,423	3,261,984	(9,708,667)	16,621,387
Capital expenditure	8,898,983	1,715,680	5,689,125	718,708	-	17,022,496
Depreciation	176,597	30,793	98,431	224,598	-	530,419
Non-cash expenses other than depreciation	5,393,246	1,022,001	3,368,488	65,346	-	9,849,081

The following is an analysis of the Group's sales by geographical market:-

	2007 RM
Malaysia	93,530,456
China	1,201,326
Other countries	69,012
	<u>94,800,794</u>

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## 29) SEGMENTAL INFORMATION

### Primary reporting- Business segments

	VoIP system RM	Surveillance system RM	Customised inspection system RM	Tele- communications service RM	Eliminations RM	Consolidated RM
<b>2006</b>						
<b>REVENUE</b>						
External sales	20,419,805	36,371,055	6,115,820	-	-	62,906,680
Inter-segment sales	869,270	90,200	-	-	(959,470)	-
Total revenue	<u>21,289,075</u>	<u>36,461,255</u>	<u>6,115,820</u>	<u>-</u>	<u>(959,470)</u>	<u>62,906,680</u>
<b>RESULTS</b>						
Profit from operations	2,584,401	1,745,377	2,315,000	-	(256,984)	6,387,794
Finance costs						(105,009)
Share of results in associate						(16,935)
Profit before tax						<u>6,265,850</u>
Income tax credit						<u>172,135</u>
Profit after tax						<u>6,437,985</u>

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**29) SEGMENTAL INFORMATION (Continued)**

	VoIP system RM	Surveillance system RM	Customised inspection system RM	Tele- communications service RM	Eliminations RM	Consolidated RM
<b>2006</b>						
<b>OTHER INFORMATION</b>						
Segment assets	29,384,846	29,032,346	4,277,105	6,592,736	(11,240,864)	58,046,169
Segment liabilities	10,542,979	1,867,984	250,879	329,945	(8,905,023)	4,086,764
Capital expenditure	5,458,590	4,914,035	530,073	-	-	10,902,698
Depreciation	540,605	237,484	24,486	164,119	-	966,694
Non-cash expenses other than depreciation	3,633,838	529,701	349,266	-	-	4,512,805

The following is an analysis of the Group's sales by geographical market:-

	2006 RM
Malaysia	53,154,539
China	9,248,770
Taiwan	161,881
Other Asean countries	33,450
Europe	122,920
South America	185,120
	<u>62,906,680</u>