

Company No:
500396-A

MOBIF BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2008
(In Ringgit Malaysia)

TAN CHIN HUAT & CO
Chartered Accountants

Company No:
500396-A

MOBIF BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

CONTENTS	PAGE(S)
Directors' Report	1 - 4
Statement by Directors	5
Statutory Declaration	5
Independent Auditors' Report	6 - 7
Income Statements	8
Balance Sheets	9 - 10
Statements of Changes in Equity	11 - 13
Cash Flow Statements	14 - 15
Notes to the Financial Statements	16 - 46

MOBIF BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are in 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 loss for the financial year	<u>(28,507,197)</u>	<u>(25,798,170)</u>
Attributable to:		
Equity holders of the Company	(28,459,105)	(25,798,170)
Minority interests	(48,092)	-
	<u>(28,507,197)</u>	<u>(25,798,170)</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

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

SHARE OPTIONS

In 2007, Mobif Berhad's Employees Share Option Scheme (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.

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

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

Leong Kong Hoy
Lau Sze Ming
Chan Chee Wai
Lee Chin Soon
Leou Thiam Lai
Goh Cheng Hoe
Lee Khiam Jin (resigned on 4.6.2008)

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.

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 31.12.2008
	Balance as at 1.1.2008/ date of <u>appointment</u>	<u>Additions</u>	<u>Disposals</u>	
Shares in the Company				
Registered in name of Directors				
Leong Kong Hoy	13,240,736	-	-	13,240,736
Lau Sze Ming	4,566,694	-	(3,500,000)	1,066,694
Chan Chee Wai	137,120	-	-	137,120
Lee Chin Soon	3,500,000	-	(3,500,000)	-
Goh Cheng Hoe	171,300	-	-	171,300

The other director does not hold shares or have beneficial interest in the shares of the Company or in related companies during the financial year.

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:
- 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 had been made; and
 - 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:
- 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
 - which would render the values attributable to current assets in the financial statements of the Group and of the Company misleading; or
 - 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:
- 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
 - any contingent liability of the Group and of the Company which has arisen since the end of the financial year except for those disclosed in Note 29 to the Financial Statements.
- 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 other than the exceptional items as disclosed in the Financial Statements; 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.

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

Pulau Pinang

Date : 1st April 2009

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 2008 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

Pulau Pinang

Date: 1st April 2009

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 2009

Before me :

SOONG FOONG CHEE (No. B158)

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MOBIF BERHAD
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Mobif Berhad, which comprise the balance sheets as at 31st December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 46.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, as mentioned in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.
- (c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for these purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

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

TAN CHIN HUAT
Approval No: 2037/06/10(J)
Proprietor

Date:

Petaling Jaya

MOBIF BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

	Note	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue		81,893,061	94,800,794	76,896,653	88,320,846
Other operating income	6	801,552	2,707,457	697,631	1,934,468
Changes in inventories of trading merchandise		(4,902,667)	3,012,349	(4,612,101)	(523,170)
Purchases and other direct costs		(77,664,894)	(82,624,976)	(73,347,873)	(73,661,588)
Staff costs		(1,614,443)	(5,645,129)	(629,706)	(4,704,226)
Depreciation of property, plant and equipment		(385,678)	(499,714)	(266,986)	(251,642)
Directors' remuneration	7	(912,602)	(746,759)	(912,602)	(746,759)
Amortisation of long leasehold buildings		(21,789)	-	(21,789)	-
Amortisation of development costs	12	(5,410,170)	(5,591,695)	(5,410,170)	(5,591,695)
Other operating expenses	6	(18,880,583)	(3,140,288)	(17,065,782)	(2,084,313)
Profit/(Loss) from operations		<u>(27,098,213)</u>	<u>2,272,039</u>	<u>(24,672,725)</u>	<u>2,691,921</u>
Finance costs	8	(945,289)	(353,853)	(945,289)	(333,009)
Share of results in associate		(34,511)	(197,666)	-	-
Profit/(Loss) before tax		<u>(28,078,013)</u>	<u>1,720,520</u>	<u>(25,618,014)</u>	<u>2,358,912</u>
Income tax expense	9	(429,184)	(158,461)	(180,156)	(210,154)
Net profit/(loss) for the financial year		<u><u>(28,507,197)</u></u>	<u><u>1,562,059</u></u>	<u><u>(25,798,170)</u></u>	<u><u>2,148,758</u></u>
Attributable to:					
Equity holders of the Company		(28,459,105)	1,956,908		
Minority interests		<u>(48,092)</u>	<u>(394,849)</u>		
		<u><u>(28,507,197)</u></u>	<u><u>1,562,059</u></u>		
Earnings/(Loss) per share attributable to equity holders of the Company:					
Basic (sen)	10	<u><u>(10.64)</u></u>	<u><u>0.83</u></u>		
Diluted (sen)	10	<u><u>N/A</u></u>	<u><u>N/A</u></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 2008

	Note	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	5,164,666	3,196,619	2,676,873	1,056,279
Development costs	12	10,653,404	21,755,961	10,653,404	21,755,961
Investment in subsidiaries	13	-	-	1,257,282	1,157,282
Investment in associate	14	116,651	151,162	-	-
Other investment	15	727,206	727,206	1,000,000	1,000,000
Deferred tax assets	16	-	241,307	-	-
Total non-current assets		<u>16,661,927</u>	<u>26,072,255</u>	<u>15,587,559</u>	<u>24,969,522</u>
Current assets					
Inventories	17	4,656,030	9,558,697	1,070,311	5,682,412
Trade receivables	18	33,803,479	45,593,436	32,245,490	42,567,334
Other receivables and prepaid expenses	18	14,802,354	8,117,833	13,637,777	7,101,957
Amount owing by subsidiaries	13	-	-	9,916,084	9,685,487
Amount owing by associate	14	70,174	70,174	-	-
Fixed deposits with licensed banks	19	17,608,306	13,845,582	17,554,537	13,793,732
Cash and bank balances		1,276,575	5,518,528	870,699	5,150,504
Total current assets		<u>72,216,918</u>	<u>82,704,250</u>	<u>75,294,898</u>	<u>83,981,426</u>
Total assets		<u><u>88,878,845</u></u>	<u><u>108,776,505</u></u>	<u><u>90,882,457</u></u>	<u><u>108,950,948</u></u>

(Forward)

MOBIF BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31ST DECEMBER 2008

	Note	GROUP		COMPANY	
		2008 RM	2007 RM	2008 RM	2007 RM
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	20	26,757,305	26,757,305	26,757,305	26,757,305
Reserves	21	<u>36,899,939</u>	<u>65,309,372</u>	<u>41,197,139</u>	<u>66,995,309</u>
Equity attributable to equity holders of the Company		63,657,244	92,066,677	67,954,444	93,752,614
Minority interests		<u>64,849</u>	<u>88,441</u>	-	-
Total equity		<u>63,722,093</u>	<u>92,155,118</u>	<u>67,954,444</u>	<u>93,752,614</u>
Non-current liabilities					
Hire purchase and finance lease creditors	22	127,406	168,858	127,406	168,858
Term loan	23	1,269,607	-	1,269,607	-
Deferred tax liabilities	16	49,004	34,428	36,217	29,362
Total non-current liabilities		<u>1,446,017</u>	<u>203,286</u>	<u>1,433,230</u>	<u>198,220</u>
Current liabilities					
Trade payables	24	2,063,171	1,442,260	79,508	255,477
Other payables and accrued expenses	24	577,588	1,143,833	345,299	912,629
Bank borrowings	25	20,943,075	13,658,000	20,943,075	13,658,000
Hire purchase and finance lease creditors - current portion	22	41,452	38,840	41,452	38,840
Term loan	23	60,276	-	60,276	-
Tax liabilities		25,173	135,168	25,173	135,168
Total current liabilities		<u>23,710,735</u>	<u>16,418,101</u>	<u>21,494,783</u>	<u>15,000,114</u>
Total liabilities		<u>25,156,752</u>	<u>16,621,387</u>	<u>22,928,013</u>	<u>15,198,334</u>
Total equity and liabilities		<u>88,878,845</u>	<u>108,776,505</u>	<u>90,882,457</u>	<u>108,950,948</u>

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

MOBIF BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2008

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 2007	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/(loss) 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>

MOBIF BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2008

GROUP	←-----Attributable to Equity Holders of the Company-----→						Minority Interests	Total Equity
	<-----Non Distributable----->			Distributable Unappropriated				
	Issued capital	Share premium	Exchange fluctuation reserve	Share option reserve	profit/ (Accumulated loss)	Total		
	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 31st December 2007	26,757,305	45,070,407	8,598	-	20,230,367	92,066,677	88,441	92,155,118
Exchange differences arising from consolidation of foreign subsidiaries	-	-	49,672	-	-	49,672	-	49,672
Acquisition of subsidiary	-	-	-	-	-	-	24,500	24,500
Net loss for the financial year representing total recognised income and expense for the year	-	-	-	-	(28,459,105)	(28,459,105)	(48,092)	(28,507,197)
Balance as at 31st December 2008	<u>26,757,305</u>	<u>45,070,407</u>	<u>58,270</u>	<u>-</u>	<u>(8,228,738)</u>	<u>63,657,244</u>	<u>64,849</u>	<u>63,722,093</u>

MOBIF BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2008

COMPANY	<-----Non Distributable----->			Distributable	Total
	Issued capital	Share premium	Share option reserve	Unappropriated profit/ (Accumulated loss)	
	RM	RM	RM	RM	RM
Balance as at 1st January 2007	20,328,845	14,766,361	395,126	19,311,259	54,801,591
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>26,757,305</u>	<u>45,070,407</u>	<u>-</u>	<u>21,924,902</u>	<u>93,752,614</u>
Net loss for the financial year representing total recognised income and expense for the year	-	-	-	(25,798,170)	(25,798,170)
Balance as at 31st December 2008	<u><u>26,757,305</u></u>	<u><u>45,070,407</u></u>	<u><u>-</u></u>	<u><u>(3,873,268)</u></u>	<u><u>67,954,444</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 2008

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	(28,078,013)	1,720,520	(25,618,014)	2,358,912
Adjustments for:				
Allowance for doubtful debts	-	56,434	-	-
Amortisation of development costs	5,410,170	5,591,695	5,410,170	5,591,695
Amortisation of long leasehold buildings	21,789	-	21,789	-
Bad debts written off	1,302,292	126,636	1,126,200	-
Deposits written off	1,691,263	3,626	1,691,263	-
Depreciation of property, plant and equipment	385,678	499,714	266,986	251,642
Exceptional item:				
Development costs written off	12,933,689	-	12,933,689	-
Interest income	(703,468)	(788,774)	(697,091)	(780,988)
Inventories written off	2,038,976	-	2,038,976	-
Inventories written down	2,209,130	-	2,209,130	-
Share options granted under ESOS	-	4,069,722	-	4,069,722
Finance costs	945,289	353,853	945,289	333,009
(Gain)/Loss on disposal of property, plant and equipment	(540)	968	(540)	968
Gain on deemed disposal of subsidiary	-	(415,445)	-	-
Gain on deemed disposal of associate	-	(333,414)	-	-
Share of results in associate	34,511	197,666	-	-
Operating profit/(loss) before working capital changes	(1,809,234)	11,083,201	327,847	11,824,960
Changes in working capital:				
(Increase)/Decrease in inventories	654,561	(3,012,349)	363,995	523,170
(Increase)/Decrease in trade receivables	10,487,665	(26,610,148)	9,195,644	(25,371,267)
Increase in other receivables and prepaid expenses	(8,350,597)	(5,437,778)	(8,196,533)	(4,952,356)
Increase in fixed deposits pledged	(3,578,697)	(9,614,424)	(3,576,878)	(10,112,474)
Increase in amount owing by subsidiaries	-	-	(230,597)	(793,032)
Decrease in amount owing by associate	-	152	-	-
Increase/(Decrease) in trade payables	620,911	5,098,664	(175,969)	(52,217)
Increase/(Decrease) in other payables and accrued expenses	(566,245)	(433,980)	(567,330)	342,797
Cash Used In Operations	(2,541,636)	(28,926,662)	(2,859,821)	(28,590,419)
Interest received	678,281	757,630	666,541	743,550
Interest paid	(945,289)	(353,853)	(945,289)	(333,009)
Tax paid	(283,296)	(84,918)	(283,296)	(84,918)
Development costs incurred	(7,066,441)	(15,790,307)	(7,066,441)	(15,783,707)
Net Cash Used In Operating Activities	(10,158,381)	(44,398,110)	(10,488,306)	(44,048,503)

(Forward)

MOBIF BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,504,345)	(1,015,189)	(2,084,770)	(287,637)
Proceeds from disposal of property, plant and equipment	1,080	85,400	1,080	85,400
Acquisition of shares in subsidiaries (Note 13)	24,500	-	(100,000)	-
Net Cash Used In Investing Activities	<u>(2,478,765)</u>	<u>(929,789)</u>	<u>(2,183,690)</u>	<u>(202,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	34,850,952	-	34,850,952
Payment of share issue expenses	-	(2,118,409)	-	(2,118,409)
Proceeds from issuance of shares to minority shareholders	-	352,678	-	-
Proceeds from drawdown of term loan	1,350,000	-	1,350,000	-
Repayment of term loan	(20,117)	-	(20,117)	-
Repayment of hire purchase obligations	(38,840)	(264,438)	(38,840)	(97,827)
Increase in bank borrowings	2,837,000	12,083,000	2,837,000	12,083,000
Net Cash From Financing Activities	<u>4,128,043</u>	<u>44,903,783</u>	<u>4,128,043</u>	<u>44,717,716</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,509,103)	(424,116)	(8,543,953)	466,976
EFFECTS OF EXCHANGE RATE CHANGES	3,102	(452)	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	5,949,686	6,374,254	5,581,762	5,114,786
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 27)	<u>(2,556,315)</u>	<u>5,949,686</u>	<u>(2,962,191)</u>	<u>5,581,762</u>

Note: In 2007, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,232,189 and RM504,637 respectively of which RM217,000 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 and RM287,637 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 in 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, Lebuh 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 Group and of the Company have been authorised by the Board of Directors for issuance on 1st April 2009.

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.

Adoption of New and Revised Financial Reporting Standards

At the beginning of the current financial year, the Group and the Company adopted the following new/revised Financial Reporting Standards (FRSs) issued by MASB that are relevant to their operations and effective for financial periods beginning on or after 1st July 2007:

FRS 107 Cash Flow Statements

FRS 112 Income Taxes

FRS 118 Revenue

FRS 121 Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net
Investment in a Foreign Operation

FRS 134 Interim Financial Reporting

FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned FRSs did not result in substantial changes to the Group's and the Company's accounting policies and did not have any material financial effect on the financial statements of the Group and of the Company for the current and prior financial years.

Accounting Standards and IC Interpretations Issued but Not Effective

As at the date of issuing the financial statements, the following new/revised FRSs and IC Interpretations have been issued but not yet effective:

FRS 4	Insurance Contracts **
FRS 7	Financial Instruments: Disclosures **
FRS 8	Operating Segments *
FRS 139	Financial Instruments: Recognition and Measurement **
IC Interpretation 9	Reassessment of Embedded Derivatives **
IC Interpretation 10	Interim Financial Reporting and Impairment **

* Effective for accounting periods beginning on or after 1st July 2009.

** Effective for accounting periods beginning on or after 1st January 2010.

The Group and the Company have not early adopted these new/revised standards and IC Interpretations. The Group and the Company have applied the transitional provisions in the respective following standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Group and of the Company:

FRS 7	Financial Instruments: Disclosures
FRS 139	Financial Instruments: Recognition and Measurement

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 2008 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 RM	Fair value RM
Financial liability		
Term loan (Note 23)	<u>1,329,883</u>	<u>864,152</u>

The fair value of the term loan obligations is 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) Transactions 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:-

	%
Long leasehold buildings	Over the remaining lease period
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	
	2008 RM	2007 RM	2008 RM	2007 RM
Other operating income/(expenses) is stated after charging:-				
Allowance for doubtful debts	-	56,434	-	-
Auditors' remuneration	32,343	26,068	16,000	16,000
Bad debts written off	1,302,292	126,636	1,126,200	-
Deposits written off	1,691,263	3,626	1,691,263	-
Exceptional item:				
Development costs written off	12,933,689	-	12,933,689	-
Inventories written off	2,038,976	-	2,038,976	-
Inventories written down	2,209,130	-	2,209,130	-
Loss on disposal of property, plant and equipment	-	968	-	968
Loss on foreign exchange	271,252	637,743	123,431	623,196
Rental of hostel	106,000	86,500	106,000	86,500
Rental of premises	674,047	265,635	82,059	184,358
Rental of machinery	5,037	28,695	5,037	10,095
	<u>5,037</u>	<u>28,695</u>	<u>5,037</u>	<u>10,095</u>
And crediting:				
Interest income from fixed deposits	528,808	371,005	522,431	363,219
Interest income from advances given	174,660	417,769	174,660	417,769
Rental income	5,000	-	-	-
Gain on disposal of property, plant and equipment	540	-	540	-
Gain on deemed disposal of subsidiary	-	415,445	-	-
Gain on deemed disposal of associate	-	333,414	-	-
Gain on foreign exchange	170,473	782,033	-	782,033
	<u>170,473</u>	<u>782,033</u>	<u>-</u>	<u>782,033</u>

7) DIRECTORS' REMUNERATION

	GROUP AND COMPANY	
	2008 RM	2007 RM
Executive Directors:		
Salaries and other emoluments - Directors of the Company	842,408	703,211
Non-Executive Directors:		
Fee - Directors of the Company	<u>70,194</u>	<u>43,548</u>
	<u>912,602</u>	<u>746,759</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	
	2008	2007
Executive Directors:		
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	-	2
RM150,001 - RM200,000	2	-
RM300,001 - RM350,000	-	1
RM400,001 - RM450,000	1	-
Non-Executive Directors:		
RM1 - RM50,000	3	3

8) FINANCE COSTS

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest on:				
Bankers' acceptances	841,448	245,818	841,448	227,222
Bank overdraft	51,948	-	51,948	-
Hire purchase	11,212	8,208	11,212	5,960
Letter of credit	16,001	99,827	16,001	99,827
Term loan	24,680	-	24,680	-
	<u>945,289</u>	<u>353,853</u>	<u>945,289</u>	<u>333,009</u>

9) INCOME TAX EXPENSE

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Estimated income tax payable:				
Taxation based on				
interest income received	(173,301)	(200,759)	(173,301)	(200,759)
Deferred tax in respect of:				
Tax assets (Note 16)	(241,307)	50,437	-	-
Tax liabilities (Note 16)	(14,576)	(8,139)	(6,855)	(9,395)
	<u>(255,883)</u>	<u>42,298</u>	<u>(6,855)</u>	<u>(9,395)</u>
	<u>(429,184)</u>	<u>(158,461)</u>	<u>(180,156)</u>	<u>(210,154)</u>

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

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Accounting profit/(loss)	<u>(28,078,013)</u>	<u>1,720,520</u>	<u>(25,618,014)</u>	<u>2,358,912</u>
Tax expense at the applicable statutory income tax rate of 20%/26%/27%	7,172,181	(534,184)	6,660,684	(636,906)
Tax effects of:				
Expenses that are not deductible for tax purposes	(5,419,067)	(2,734,679)	(5,328,895)	(2,686,506)
Expenses capitalised as development costs	1,837,275	4,261,601	1,837,275	4,261,601
Deferred tax assets not recognised in current year	(3,778,266)	(1,149,799)	(3,349,220)	(1,148,343)
Reversal of prior years' deferred tax assets	<u>(241,307)</u>	<u>(1,400)</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>(429,184)</u>	<u>(158,461)</u>	<u>(180,156)</u>	<u>(210,154)</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 2008 and 2007 as the Company has been granted pioneer status under the Promotion of Investments (Amendment) Act 1997. The provision for taxation of the Company in 2008 and 2007 is in respect of interest income received.

As at 31st December 2008, the Company has pre-pioneer unutilised business losses and unabsorbed capital allowances totalling about RM868,500 (2007: RM868,500), which subject to agreement by the tax authorities, are available for offset against future taxable income.

10) EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per share

The basic earnings/(loss) per share of the Group is calculated based on the loss attributable to equity holders of the Company for the year of RM28,459,105 (2007: profit attributable to equity holders of the Company of RM1,956,908) and on the weighted average number of ordinary shares of RM0.10 each in issue during the financial year of 267,573,054 (2007: 236,970,538).

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group has not been presented in 2008 and 2007 as there are no dilutive potential ordinary shares.

Company No:
500396-A

11) PROPERTY, PLANT AND EQUIPMENT

GROUP	Long Leasehold buildings RM	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
2008								
Cost								
As at 1st January 2008	-	403,125	2,729,429	551,997	313,922	1,903,572	454,400	6,356,445
Additions	2,070,000	122,056	14,422	297,867	-	-	-	2,504,345
Written off	-	(900)	-	-	-	-	-	(900)
Exchange differences	-	409	919	-	-	45,467	-	46,795
As at 31st December 2008	<u>2,070,000</u>	<u>524,690</u>	<u>2,744,770</u>	<u>849,864</u>	<u>313,922</u>	<u>1,949,039</u>	<u>454,400</u>	<u>8,906,685</u>
Accumulated depreciation								
As at 1st January 2008	-	201,533	2,330,238	232,099	20,216	-	375,740	3,159,826
Charge for the financial year	21,789	80,184	185,044	153,867	62,784	-	78,660	582,328
Written off	-	(360)	-	-	-	-	-	(360)
Exchange differences	-	-	225	-	-	-	-	225
As at 31st December 2008	<u>21,789</u>	<u>281,357</u>	<u>2,515,507</u>	<u>385,966</u>	<u>83,000</u>	<u>-</u>	<u>454,400</u>	<u>3,742,019</u>
Net book value as at 31st December 2008	<u>2,048,211</u>	<u>243,333</u>	<u>229,263</u>	<u>463,898</u>	<u>230,922</u>	<u>1,949,039</u>	<u>-</u>	<u>5,164,666</u>

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
2007							
Cost							
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>
Accumulated depreciation							
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>
Net book value as at 31st December 2007	<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>

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 (2007: RM313,922) and RM230,922 (2007: RM293,706) respectively.

Company No:
500396-A

11) PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY	Long Leasehold buildings RM	Office equipment, furniture and fittings RM	Computers RM	Renovation RM	Motor vehicles RM	Plant and machinery RM	Total RM
2008							
Cost							
As at 1st January 2008	-	308,124	2,680,136	394,428	313,922	454,400	4,151,010
Additions	2,070,000	1,750	13,020	-	-	-	2,084,770
Written off	-	(900)	-	-	-	-	(900)
As at 31st December 2008	<u>2,070,000</u>	<u>308,974</u>	<u>2,693,156</u>	<u>394,428</u>	<u>313,922</u>	<u>454,400</u>	<u>6,234,880</u>
Accumulated depreciation							
As at 1st January 2008	-	185,690	2,304,771	208,314	20,216	375,740	3,094,731
Charge for the financial year	21,789	46,656	174,861	78,886	62,784	78,660	463,636
Written off	-	(360)	-	-	-	-	(360)
As at 31st December 2008	<u>21,789</u>	<u>231,986</u>	<u>2,479,632</u>	<u>287,200</u>	<u>83,000</u>	<u>454,400</u>	<u>3,558,007</u>
Net book value as at 31st December 2008	<u>2,048,211</u>	<u>76,988</u>	<u>213,524</u>	<u>107,228</u>	<u>230,922</u>	<u>-</u>	<u>2,676,873</u>

Company No:
500396-A

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
2007						
Cost						
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>
Accumulated depreciation						
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>
Net book value as at 31st December 2007	<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>

Cost and net book value as at year end for property, plant and equipment acquired under hire purchase for the Company were RM313,922 (2007: RM313,922) and RM230,922 (2007: RM293,706) respectively.

12) DEVELOPMENT COSTS

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Cost				
As at beginning of financial year	37,435,348	21,827,574	37,435,348	21,620,936
Additions during the financial year	7,241,302	15,821,012	7,241,302	15,814,412
Arising from deemed disposal of subsidiary	-	(213,238)	-	-
	<u>44,676,650</u>	<u>37,435,348</u>	<u>44,676,650</u>	<u>37,435,348</u>
Less:				
Cumulative amortisation:-				
-As at beginning of financial year	(15,679,387)	(10,087,692)	(15,679,387)	(10,087,692)
-Charge for the financial year	(5,410,170)	(5,591,695)	(5,410,170)	(5,591,695)
	(21,089,557)	(15,679,387)	(21,089,557)	(15,679,387)
Written off during the financial year	(12,933,689)	-	(12,933,689)	-
As at end of financial year	<u>10,653,404</u>	<u>21,755,961</u>	<u>10,653,404</u>	<u>21,755,961</u>

Included in development costs of the Group and the Company during the financial year is depreciation of property, plant and equipment amounting to RM174,861 (2007: RM30,705).

13) INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2008 RM	2007 RM
Unquoted shares - At cost	<u>1,257,282</u>	<u>1,157,282</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>
		2008 %	2007 %	
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. Temporarily inactive since 2006.
Mobif Broadband Shop Sdn. Bhd. *	Malaysia	51	-	Dealing in telecommunication products and related services.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
		2008 %	2007 %	
My Domain Electronic Sdn. Bhd.	Malaysia	100	-	Dormant.

* 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	
	2008 RM	2007 RM
Sales to Mobif Global Sdn. Bhd., a subsidiary	169,457	280,548
Sales to Mobif Broadband Shop Sdn. Bhd., a subsidiary	18,267	-
Purchases from Mobif Global Sdn. Bhd., a subsidiary	<u>(11,910)</u>	<u>(29,491)</u>

During the financial year, the Group acquired 51% equity interest in Mobif Broadband Shop Sdn. Bhd. and 100% equity interest in My Domain Electronic Sdn. Bhd. for a cash consideration of RM25,500 and RM100,000 respectively. The effect of these acquisitions on the financial results of the Group for the financial year is as follows:-

Post-acquisition results of the subsidiaries acquired:

	2008 RM
Revenue	958,163
Other operating income	70,425
Other operating expenses	<u>(2,528,893)</u>
Loss before tax	<u>(1,500,305)</u>
Income tax expense	<u>(8,721)</u>
Loss after tax	<u>(1,509,026)</u>
Minority interest	24,500
Increase in Group's loss attributable to shareholders	<u><u>(1,484,526)</u></u>

The effects of these acquisitions on the financial position of the Group as at 31st December 2008 are as follows:

	2008 RM
Net assets acquired:	
Cash and bank balances	<u>125,500</u>
Total cash consideration	<u>125,500</u>
Less: Cash and bank balances	<u>(150,000)</u>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u><u>(24,500)</u></u>

14) INVESTMENT IN ASSOCIATE

	GROUP	
	2008 RM	2007 RM
Unquoted shares - At cost	175,000	175,000
Less: Share of post-acquisition loss	(58,349)	(23,838)
	<u>116,651</u>	<u>151,162</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% (2007: 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 is as follows:

	2008 RM	2007 RM
Assets and liabilities		
Current assets	273,328	393,527
Non-current assets	73,297	128,692
Total assets	<u>346,625</u>	<u>522,219</u>
Current liabilities	160,815	155,367
Non-current liabilities	12,790	10,492
Total liabilities	<u>173,605</u>	<u>165,859</u>
Results		
Revenue	33,948	668,116
Net loss for the financial year	<u>(193,340)</u>	<u>(59,382)</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	
	2008 RM	2007 RM	2008 RM	2007 RM
Unquoted shares- At cost	<u>727,206</u>	<u>727,206</u>	<u>1,000,000</u>	<u>1,000,000</u>

16) DEFERRED TAXATION

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Deferred tax assets				
At beginning of year	241,307	580,158	-	-
Recognised in income statements (Note 9)	(241,307)	50,437	-	-
Arising from deemed disposal of subsidiary	-	(389,288)	-	-
At end of year	<u>-</u>	<u>241,307</u>	<u>-</u>	<u>-</u>

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Deferred tax liabilities				
At beginning of year	34,428	216,647	29,362	19,967
Recognised in income statements (Note 9)	14,576	8,139	6,855	9,395
Arising from deemed disposal of subsidiary	-	(190,358)	-	-
At end of year	<u>49,004</u>	<u>34,428</u>	<u>36,217</u>	<u>29,362</u>

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

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Deferred tax assets				
Tax effects of:				
Unabsorbed capital allowances	-	11,295	-	-
Unutilised tax losses	-	230,012	-	-
	<u>-</u>	<u>241,307</u>	<u>-</u>	<u>-</u>

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowances and book depreciation of property, plant and equipment	12,787	5,066	-	-
Temporary differences arising from realisation of fixed deposit interest receivable	36,217	29,362	36,217	29,362
	<u>49,004</u>	<u>34,428</u>	<u>36,217</u>	<u>29,362</u>

17) INVENTORIES

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Trading merchandise				
- At cost	3,774,964	9,521,817	226,125	5,682,412
- At net realisable value	881,066	36,880	844,186	-
	<u>4,656,030</u>	<u>9,558,697</u>	<u>1,070,311</u>	<u>5,682,412</u>

18) TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	33,855,479	45,649,870	32,245,490	42,567,334
Less: Allowance for doubtful debts	(52,000)	(56,434)	-	-
Net	<u>33,803,479</u>	<u>45,593,436</u>	<u>32,245,490</u>	<u>42,567,334</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	
	2008 RM	2007 RM	2008 RM	2007 RM
Other receivables	13,871,889	4,974,107	13,457,289	4,460,843
Advance payment	20,730	578,015	-	576,765
Refundable deposits	770,437	2,451,600	41,190	1,955,601
Interest income receivable	139,298	114,111	139,298	108,748
	<u>14,802,354</u>	<u>8,117,833</u>	<u>13,637,777</u>	<u>7,101,957</u>

The currency profile of trade and other receivables is as follows:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	46,441,255	49,376,308	44,508,136	45,903,003
US Dollar	1,234,113	1,191,235	1,194,643	1,125,174
	<u>47,675,368</u>	<u>50,567,543</u>	<u>45,702,779</u>	<u>47,028,177</u>

19) FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits of the Group and of the Company are amounts totalling RM16,993,121 (2007: RM13,414,324) and RM16,939,352 (2007: RM13,362,474) respectively representing fixed deposits which are pledged to the banks for banking facilities granted.

20) SHARE CAPITAL

	GROUP AND COMPANY			
	2008 RM		2007 RM	
Authorised:	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		2008	2007
	2008	2007	RM	RM
Issued and fully paid:	As at beginning of financial year		26,757,305	20,328,845
	267,573,054	203,288,454		
	Issued during the financial year		-	6,428,460
	-	64,284,600		
	<u>267,573,054</u>	<u>267,573,054</u>	<u>26,757,305</u>	<u>26,757,305</u>

In 2007, 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.

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

In 2007, Mobif Berhad's Employees Share Option Scheme (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.

Fair value of the share options

The fair value of the options granted in 2007 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
Fair value of share options granted on 22.6.2007 (RM)	0.09
Weighted average share price (RM)	0.58
Weighted average exercise price (RM)	0.52
Expected volatility (%)	60.8
Expected life (years)	0.17
Risk free rate (%)	3.45
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	
	2008 RM	2007 RM	2008 RM	2007 RM
Non Distributable Reserve:				
Share premium	45,070,407	45,070,407	45,070,407	45,070,407
Exchange fluctuation reserve	58,270	8,598	-	-
Distributable Reserve:				
Unappropriated profit/ (Accumulated loss)	<u>(8,228,738)</u>	<u>20,230,367</u>	<u>(3,873,268)</u>	<u>21,924,902</u>
	<u><u>36,899,939</u></u>	<u><u>65,309,372</u></u>	<u><u>41,197,139</u></u>	<u><u>66,995,309</u></u>

Share premium

Share premium arose from the following:

	GROUP AND COMPANY	
	2008 RM	2007 RM
Balance as at beginning of year	45,070,407	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
Share issue expenses	-	(2,118,409)
Balance as at end of year	<u><u>45,070,407</u></u>	<u><u>45,070,407</u></u>

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

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 AND COMPANY	
	2008	2007
	RM	RM
Total hire purchase and finance lease liabilities	187,636	237,688
Less: Interest in suspense	(18,778)	(29,990)
Net balance payable	<u>168,858</u>	<u>207,698</u>
Repayable as follows :		
Portion payable within the next 12 months (included in current liabilities)	41,452	38,840
Portion payable after the next 12 months:-		
Payable between 1 and 2 years	44,065	41,452
Payable between 2 and 5 years	83,341	127,406
	<u>127,406</u>	<u>168,858</u>
	<u>168,858</u>	<u>207,698</u>

The average interest rate on hire purchase and finance lease is at 3.06% (2007: 3.9%) per annum.

23) TERM LOAN

	GROUP AND COMPANY	
	2008	2007
	RM	RM
Secured term loan	1,329,883	-
Less: Portion payable within the next 12 months	(60,276)	-
Non-current portion	<u>1,269,607</u>	<u>-</u>

The non-current portion of the term loan is repayable as follows:

	GROUP AND COMPANY	
	2008	2007
	RM	RM
Financial years ending 31st December:		
2010	56,100	-
2011	57,162	-
2012	60,356	-
2013 and thereafter	<u>1,095,989</u>	<u>-</u>

The above term loan which is secured by a first legal charge over the Company's long leasehold buildings bears interest at 2.2% per annum.

24) 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	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables	389,084	940,635	306,853	869,912
Accrued expenses	103,124	122,708	38,446	42,717
Refundable deposits and prepaid rental received	40,674	40,707	-	-
Advance collections received	44,706	39,783	-	-
	<u>577,588</u>	<u>1,143,833</u>	<u>345,299</u>	<u>912,629</u>

The currency profile of trade and other payables is as follows:

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	2,452,255	2,373,631	386,361	1,116,125
US Dollar	-	9,264	-	9,264
	<u>2,452,255</u>	<u>2,382,895</u>	<u>386,361</u>	<u>1,125,389</u>

25) BANK BORROWINGS

	GROUP AND COMPANY	
	2008 RM	2007 RM
Bankers' acceptances	16,495,000	13,658,000
Bank overdraft (Note 27)	4,448,075	-
	<u>20,943,075</u>	<u>13,658,000</u>

As at 31st December 2008, the Group has bank overdraft and other credit facilities totalling RM21,650,000 (2007: RM15,300,000) from licensed banks. These facilities are secured by pledge of fixed deposits and bear interest ranging from 1.2% to 8.75% (2007: 1.2% to 8.75%) per annum.

26) SIGNIFICANT RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Short-term employee benefits	838,884	671,639	838,884	671,639
EPF and Socso expenses	73,718	75,120	73,718	75,120
Benefits in kind	-	2,034,861	-	2,034,861
Total	<u>912,602</u>	<u>2,781,620</u>	<u>912,602</u>	<u>2,781,620</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:

	GROUP AND COMPANY	
	2008	2007
	RM	RM
Directors' remuneration (Note 7)	<u>912,602</u>	<u>746,759</u>

Executive Directors of the Company and other members of key management have been granted the following number of options under the ESOS in 2007:

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

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

27) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and bank balances	1,276,575	5,518,528	870,699	5,150,504
Fixed deposits with licensed banks	17,608,306	13,845,582	17,554,537	13,793,732
Bank overdraft (Note 25)	<u>(4,448,075)</u>	-	<u>(4,448,075)</u>	-
	14,436,806	19,364,110	13,977,161	18,944,236
Less:				
Fixed deposits pledged to licensed banks	<u>(16,993,121)</u>	<u>(13,414,424)</u>	<u>(16,939,352)</u>	<u>(13,362,474)</u>
	<u>(2,556,315)</u>	<u>5,949,686</u>	<u>(2,962,191)</u>	<u>5,581,762</u>

The average interest rate per annum of deposits that was effective as at the balance sheet date was 3.0% - 3.5% (2007: 3.0% - 3.7%). Deposits of the Group and of the Company have an average maturity of 3 months (2007: 3 months).

The currency profile of fixed deposits, bank overdraft, cash and bank balances is as follows:

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Ringgit Malaysia	14,206,814	19,208,257	13,747,169	18,788,383
US Dollar	229,992	155,853	229,992	155,853
	<u>14,436,806</u>	<u>19,364,110</u>	<u>13,977,161</u>	<u>18,944,236</u>

28) CAPITAL COMMITMENTS

	GROUP AND COMPANY	
	2008	2007
	RM	RM
Approved and contracted for:		
Purchase of buildings	-	1,863,000

29) CONTINGENT LIABILITIES

	GROUP AND COMPANY	
	2008	2007
	RM	RM
Bank guarantee in favour of trade suppliers	250,000	175,000
Leasing arrangement entered into on behalf of a company, in which the Group has interests, in respect of the lease rental outstanding	6,653,000	9,590,000
	<u>6,903,000</u>	<u>9,765,000</u>

Company No:
500396-A

30) SEGMENTAL INFORMATION

Primary reporting- Business segments

	VoIP system RM	Surveillance system RM	Customised inspection system RM	Tele- communication services RM	Eliminations RM	Consolidated RM
2008						
REVENUE						
External sales	58,532,535	21,707,531	-	1,652,995	(363,755)	81,529,306
Inter-segment sales	148,266	50,395	-	165,094	-	363,755
Total revenue	<u>58,680,801</u>	<u>21,757,926</u>	<u>-</u>	<u>1,818,089</u>	<u>(363,755)</u>	<u>81,893,061</u>
RESULTS						
Loss from operations	(22,571,184)	(2,350,449)	(681,738)	(1,626,842)	132,000	(27,098,213)
Finance costs						(945,289)
Share of results in associate						(34,511)
Loss before tax						<u>(28,078,013)</u>
Income tax expense						<u>(429,184)</u>
Loss after tax						<u>(28,507,197)</u>

Company No:
500396-A

30) SEGMENTAL INFORMATION (Continued)

	VoIP system RM	Surveillance system RM	Tele- communication services RM	Eliminations RM	Consolidated RM
2008					
OTHER INFORMATION					
Segment assets	63,686,493	23,613,958	1,578,394	-	88,878,845
Segment liabilities	18,026,171	6,683,823	446,757	-	25,156,752
Capital expenditure	6,844,785	2,555,207	170,794	-	9,570,786
Depreciation	417,269	154,717	10,342	-	582,328
Non-cash expenses other than depreciation	18,333,407	6,797,741	454,372	-	25,585,520

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

	2008 RM
Malaysia	80,899,793
China	663,600
Other countries	329,668
	<u>81,893,061</u>

Company No:
500396-A

30) SEGMENTAL INFORMATION

Primary reporting- Business segments

	VoIP system RM	Surveillance system RM	Customised inspection system RM	Tele- communication services RM	Eliminations RM	Consolidated RM
2007						
REVENUE						
External sales	52,169,567	30,691,737	9,516,586	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>30,790,000</u>	<u>9,516,586</u>	<u>2,438,898</u>	<u>(310,792)</u>	<u>94,800,794</u>
RESULTS						
Profit from operations	(1,171,050)	1,144,000	2,326,287	(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>

Company No:
500396-A

30) SEGMENTAL INFORMATION (Continued)

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