ANNUAL REPORT | 2005

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Mobif Berhad

(500396-A)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Leong Kong Hoy
Executive Director/Chief Executive Officer
Lau Sze Ming
Executive Director/Chief Technology Officer
Lee Khiam Jin
Executive Director/Chief Operating Officer
Chia Gek Liang
Independent Non-Executive Director
Chan Chee Wai
Independent Non-Executive Director

AUDIT COMMITTEE

Chia Gek Liang
Independent Non-Executive Director, Chairman
Lau Sze Ming
Executive Director, Member
Chan Chee Wai
Independent Non-Executive Director, Member

REGISTERED OFFICE

Unit 1-3-3, No. 1 Jalan P. Ramlee
10460 Pulau Pinang
Tel. No. : 604-2816757
Fax No. : 604-2811729

CORPORATE OFFICE

Unit No. 1-5-34, Krystal Point Corporate Park
Lebuh Bukit Kecil 6, Off Jalan Tun Dr Awang
11900 Bayan Lepas
Pulau Pinang
Tel. No. : 604-6463381
Fax No. : 604-6463382

SHARE REGISTRAR

Shareworks Sdn. Bhd.
No. 23, Jalan Sri Hartamas 7
Sri Hartamas
50480 Kuala Lumpur
Tel. No.: 603-62011120
Fax No. : 603-62013121

SPONSOR

Avenue Securities Sdn. Bhd.
Level 1, Bangunan Avenue
No. 8, Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur
Tel. No.: 603-27118798
Fax No. : 603-20938796

COMPANY SECRETARY

Teoh Pek Hwa (MAICSA 7018613)

AUDITORS

Tan Chin Huat & Co (AF 1395)
No. 232, 2nd Floor
Block A, Damansara Intan
No.1, Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan
Tel. No. : 603-77268992
Fax No. : 603-77284992

PRINCIPAL BANKERS

Public Bank Berhad
Alliance Bank Malaysia Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (MESDAQ Market)
Stock Name : MOBIF
Stock Code : 0042

CORPORATE WEBSITE

www.mobif.com
www.mobif.com.my

DIRECTORS' PROFILE

Leong Kong Hoy, a Malaysian, aged 38, was appointed as Executive Director of Mobif Berhad on 24th May 2004 and is the Chief Executive Officer of the Company. He is responsible for the overall operations of the Group including planning, technical, organisation and administrative aspects for the Group. In September 1992, he obtained a Master of Science in Information Technology ("IT") from Warwick University, United Kingdom and has accumulated vast experience in the IT field. He started his career as an engineer in Seagate (M) Sdn. Bhd. ("Seagate") in March 1993 and worked his way to become the IT Director there before leaving in December 2003.

During his employment with Seagate, he was responsible for the IT divisions in three (3) separate manufacturing plants located in Pulau Pinang, Ipoh and Thailand where he managed the engineering automation of the plants with an objective to fully automate its production lines. He was also the chairman of Seagate Engineering Council to implement an "Advanced Manufacturing System Concept" for Seagate. Other than Mobif Berhad, he does not hold any directorships in other public companies.

Lau Sze Ming, a Malaysian, aged 34, is the co-founder and Chief Technology Officer of the Company. He was appointed to the Board on 8th April 2003 and is a member of the Audit Committee. Lau primarily oversees the Group's activities relating to research and product development such as software development cycles including high-level system design, software development, application testing and implementation. Lau obtained his Bachelor of Science (Hons) in Electrical Engineering from the Michigan Technological University, United States of America ("USA") in 1993. He then worked for Seagate for 7 years before leaving to co-found the Company. During his employment with Seagate, where he last served as Department Manager for MES, he was assigned to develop various systems to support both engineering and production. He was also a member of the start-up team for the new Seagate manufacturing plant in Ipoh. Other than Mobif Berhad, he does not hold any directorships in other public companies.

Lee Khiam Jin, a Malaysian, aged 37, joined the Company in 2003 as the Chief Operating Officer. He was appointed to the Board on 24th September 2003. He is primarily responsible for the business development of the Group. He formulates the sales, marketing and business expansion strategies for the Group. Lee graduated from the Universiti Utara Malaysia with a Bachelor of Public Administration in 1993 and holds a Master in Business Administration ("MBA") from the Imperial College of the University of London, United Kingdom, which he obtained in 1997. Prior to joining the Group, he held the position of Chief Corporate Representative of GIT (Shanghai) Co. Ltd., a company involved in the distribution of post printing equipment, in China from 2002 to 2003 where his responsibilities included the development of its distribution network throughout the major cities in China. Prior to that, he was a Director of a company involved in the marketing of global positioning systems and computer systems, from 1998 to 1999 where he was responsible for sales and marketing. He also held positions as Deputy Chief Administrator of Parti Gerakan Rakyat Malaysia from 1999 to 2000 and subsequently as General Manager (Overseas Business Development) of Palmgold Corporation Sdn. Bhd. from 2000 to 2002. Other than Mobif Berhad, he does not hold any directorships in other public companies.

DIRECTORS' PROFILE

Chia Gek Liang, a Malaysian, aged 44, was appointed as Independent Non-Executive Director of the Company on 8th April 2004 and is the Chairman of the Audit Committee of the Company. He has a Bachelor of Electrical Engineering and a MBA from the National University of Singapore, which he obtained in 1985 and 1992 respectively. He has 21 years of experience in electronics manufacturing process, product engineering and investment banking. In 1985, he started his career as a Product Engineer with SGS-Thomson Microelectronics Pte. Ltd. in Singapore where he was responsible for the product engineering and manufacturing processes of memory products. He left the engineering field in 1991 to pursue his MBA, which he obtained in 1992. Thereafter, he worked for a 6-month period in corporate banking with a bank before joining Commerce International Merchant Bankers Berhad as an executive in the corporate finance division. During his 9 years tenure in investment banking he was involved in a wide variety of assignments which include initial public offerings, debt and equity fund raising, mergers and acquisitions, reverse take-over, corporate and debt restructuring and privatisation exercises. He left the bank in January 2001. From February to December 2001, he was the Chief Financial Officer of Intelligent Edge Technologies Berhad. He is presently an Independent Non-Executive Director of CWorks Systems Berhad and director of several private limited companies.

Chan Chee Wai, a Malaysian, aged 32, was appointed as Independent Non-Executive Director of the Company on 1st February 2005 and is a member of the Audit Committee of the Company. He obtained his MBA from the Southern Pacific University, USA in 2003. Chan was previously the Marketing Manager of Grand-Flo Solution Berhad, an IT solution company for 6 years. He is currently running his own business, Unilocal Academy Resources, a local representative and recruitment centre for foreign universities offering various degrees programs. Other than Mobif Berhad, he does not hold any directorships in other public companies.

Save for Leong Kong Hoy, who is the brother of Leong Kong Weng, an indirect substantial shareholder of the Company by virtue of his substantial shareholding in Ethimax Sdn. Bhd., which is a substantial shareholder of the Company, none of the Directors have any family relationship with any other Directors or substantial shareholders of Mobif Berhad. None of the Directors have any conflict of interest with Mobif Berhad nor any conviction for offences (other than traffic offences, if any) for the past 10 years.

The details of the Directors' interest are set out in pages 14 and 15 of the Annual report under Directors' interest.

CHIEF EXECUTIVE OFFICER'S STATEMENT

INTRODUCTION

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of Mobif Berhad for the year ended 31st December 2005, prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

FINANCIAL AND OPERATIONAL REVIEW

For the financial year under review, the Group achieved revenue of RM36.3 million and net profit of RM9.8 million, an increase of 93.8% and 136.3% respectively as compared to the preceding financial year. The remarkable leap in the turnover was primarily driven by the increased sales of Mobif internet surveillance solutions, especially *Mobif Home* (packaged with additional hardware) and our newly introduced Voice-Over-Internet Protocol ("VoIP") products which were introduced late last financial year. The strong performance was also attributable to the continued intensive marketing efforts undertaken by the Group and the successful penetration of the Group's products into overseas market.

The net profit margin also saw a hike from 22% recorded in 2004 to 27% in 2005 mainly due to lower proportionate increase in the operating expenses as compared to the increase in revenue. This is in line with the Group's intention to keep its operating costs low.

CORPORATE DEVELOPMENTS

On 19th September 2005, the Company announced that it was proposing to undertake the following exercises:

i) Private placement involving the issuance of up to 18,563,314 new ordinary shares of RM0.10 each in Mobif Berhad ("Placement Shares"), representing not more than 10% of the issued and paid-up share capital of Mobif Berhad ("Private Placement"); and

ii) An employees share option scheme of up to 10% of the issued and paid-up share capital of the Company ("ESOS").

The application for the Private Placement was approved by the Securities Commission on 10th November 2005. On 3rd February 2006, the Company announced that the issue price for the Private Placement has been fixed at RM0.91 per Placement Share. Pursuant to the above said Private Placement, 6,000,000 and 6,563,314 new ordinary shares of RM0.10 each were allotted and issued on 7th March 2006 and 13th March 2006 respectively.

The five-year ESOS, approved by the shareholders at the Extraordinary General Meeting held on 25th October 2005, was implemented on 28th October 2005 and will expire by 27th October 2010.

On 14th February 2006, the Company entered into an agreement with Ying Te Yi Technologies (Beijing) Co. Ltd. ("YTYT") to appoint YTYT as Mobif's principal consultant to deploy, implement and commission VoIP networks in China and to sell and distribute Mobif's VoIP products in China.

On 27th February 2006, the Company via its wholly-owned subsidiary, Mobif Global Sdn. Bhd. entered into an agreement with Tele VoIP Italia SrL ("TVIS"), a company incorporated in Italy, to provide telecommunication services particularly a hosted soft switch to TVIS. The signing of the agreement marks the Group's first foray into the European market.

On 26th March 2006, the Company via its wholly-owned subsidiary, Mobif Global Sdn. Bhd. entered into a Memorandum of Understanding with SM Enterprise (Nanjing) Pte. Ltd. ("SME"), a company incorporated in The People's Republic of China to collaborate in joint marketing, provision of discount telephone calls service based infrastructure, equipment and services within the Province of Jiangsu, China.

On 30th March 2006, the Company entered into a Memorandum of Understanding with Sarawak Information Systems Sdn. Bhd. ("SAINS"), to collaborate in technology, research and development, provision of VoIP based infrastructure and equipment, sales deployment and service provision of VoIP telephony in Sarawak, Sabah and Brunei Darussalam. Mobif will also provide turnkey implementation of cost effrective telephony solutions, project management and regional systems support and maintenance services to SAINS's clientele in Sarawak, Sabah and Brunei Darussalam.

CHIEF EXECUTIVE OFFICER'S STATEMENT

On 6th April 2006, Mobif entered into a Memorandum of Understanding with Kyocera Corporation, Japan ("Kyocera"), a company incorporated in Japan, to collaborate in technology, research and development and to appoint Mobif or its subsidiary as the exclusive distributor for the sale and deployment of Kyocera's iBurst Solution and equipment and its subsequent wireless broadband access management in Malaysia.

RESEARCH AND DEVELOPMENT ("R&D")

The Group has constantly focus on the development of new products and services especially in internet surveillance solutions and VoIP products such as soft switch turn key solution, gateway design, network, voice, video and data application, web-based interface design, e-commerce and innovative system integration. To date, the Group has developed and launched VoIP softphones, video softphones and conducted research work on call back, short-messaging-services to call and voicemail for its VoIP products. Besides constantly improving and enhancing the core Internet-based surveillance systems, the Group's R&D efforts would also be focused on the development of applications which could see Mobif systems being used not only through personal computers but also through "3-G" mobile phones, personal digital assistant and other hand-held devices. Preliminary tests are currently being carried out on the "3-G" mobile phones. The Group spent RM8.5 million for its development expenditure during the financial year.

PROSPECTS

The Group has been successful in marketing its products in both the domestic and overseas markets. It has established a global VoIP telephony network with major players in The Philippines, China, Indonesia, USA, Italy, El-Salvador and Latin America and is poised to capitalised this network to channel its sales. Continuous efforts will be made further in expanding its marketing and distribution network as well as to undertake R&D activities to develop new software and additional features for its existing products. With investment in market development and R&D activities, the Company expects 2006 to be a satisfactory year.

UTILISATION OF PROCEEDS

As at 31st December 2005, Mobif had fully utilised the proceeds raised from its initial public offering of RM10.24 million.

BOARD CHANGES

On behalf of the Board, I would like to express my sincere appreciation to Dr. Wong Say Ho and Mr. Leong Kong Weng, who have since resigned from the Board, for their invaluable contributions during their tenure in office.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I wish to extend my deepest appreciation to the management team and staff for their relentless efforts, contributions, dedication and commitment towards the Group. I would also like to thank our valuable shareholders, customers, suppliers, business associates, bankers and regulatory authorities for their continued support, trust and confidence in the Board and the management throughout the year.

Finally, I would like to proffer my sincere thanks to my fellow board members for their invaluable contributions and support and I look forward to your strengthened enthusiasm and cooperation in facing the challenges that are expected to come our way.

Leong Kong Hoy
Chief Executive Officer

AUDIT COMMITTEE REPORT

The principal objective of the Audit Committee is to assist the Board in discharging certain of its statutory duties and responsibilities in relation to financial, accounting and reporting practises and to ensure proper disclosure to the shareholders of the Group.

COMPOSITION

The present members of the Audit Committee comprise :

Chairman

Chia Gek Liang	Independent Non-Executive Director

Members

Lau Sze Ming	Executive Director
Chan Chee Wai	Independent Non-Executive Director

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows :

Composition

The Committee shall comprise of not less than three members, the majority of whom are independent directors and free from any relationship which in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the function of the audit committee.

The members of the Committee shall elect a Chairman from a member who is not an executive director or an employee of the Group or any related corporation.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Meetings

Meetings shall be held at least 4 times a year or a frequency to be decided by the Committee. The external auditors may request a meeting if they consider one is necessary. The quorum for each meeting shall be at least 2 members. The Committee may invite any person to be in attendance to assist in its deliberations. At least once a year, the Committee shall meet with the external auditors. The Company Secretary may be the Secretary of the Committee.

Functions and Duties

The functions and duties of the Audit Committee shall be:-

- To oversee matters relating to external audit including the review of the audit plan, auditor's management letter and the Auditor's Report;
- To evaluate the standards of internal control and financial reporting;
- To review the quarterly and annual financial statements before submission to the Board, with special focus on any changes in accounting policies and practises, significant adjustments resulting from the audit, compliance with the latest accounting standards and statutory and regulatory disclosure requirements;
- To review the assistance and cooperation given by the Group's officers to the external auditors;
- To review any related party transactions that may arise within the Company or the Group;
- To recommend to the Board the appointment and remuneration of the external auditors;
- To carry out the duties and rights as stipulated in the relevant Listing Rules; and
- To consider other issues, as authorised by the Board.

Summary of Activities

There were four (4) Audit Committee meetings held during the financial year ended 31st December 2005. The number of meetings attended by the Committee Members is as follows:

	Attendance/Entitlement
Chia Gek Liang	4/4
Lau Sze Ming	3/4
Chan Chee Wai	4/4

The Audit Committee has reviewed the allocation of shares options during the year to ensure that it was in compliance with the allocation criteria determined by the ESOS Options Committee and the ESOS Bye-Laws.

Internal Audit Function

Presently, the Group does not have an internal audit department and the Audit Committee relied on discussions with the management and Executive Directors, review of quarterly financial statements and input from the external auditors to discharge its duties.

STATEMENT OF CORPORATE GOVERNANCE

The Board recognises the importance of corporate governance in discharging its responsibilities, protecting and enhancing shareholders' value through promoting and practising high standards of corporate governance throughout the Group. The Board adopts and applies the principles and best practices as governed by the Listing Requirements of the MESDAQ Market of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance.

The following statements set out the Group's compliance with the principles of the Malaysian Code on Corporate Governance.

A. BOARD OF DIRECTORS

Composition

The current Board of Directors of the Company has five (5) members comprising three (3) Executive Directors and two (2) Independent Non-Executive Directors. This composition complies with paragraph 13.2 of the Listing Requirements of Bursa Malaysia Securities Berhad for MESDAQ Market whereby it must have at least two (2) Independent Directors. The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent views, advice and judgment as well as safeguarding the interests of other parties such as minority shareholders.

Duties and Responsibilities

The Group acknowledges the importance of having effective Board to lead and control the Group. The Board is ultimately responsible for the stewardship of the Group's strategic direction and development. The Board's responsibilities include reviewing and adopting the Group's goal, objectives and strategic plans set by the management, monitoring the achievement of the goals and objectives, reviewing the performance and identifying the Group's principal risks. The Board's profiles are set out in this Annual Reports on pages 3 and 4.

Meetings

Board meetings are held at quarterly intervals with additional meetings held when necessary. The Board met four (4) times during the year under review and all Directors attended at least 50% of the Board meetings.

The meeting attendance record of the Directors is as follows :

	Attendance/Entitlement
Leong Kong Hoy	2/4
Lau Sze Ming	3/4
Lee Khiam Jin	3/4
Chia Gek Liang	4/4
Chan Chee Wai	4/4

Appointments to the Board and Re-election of Directors

The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. In accordance with the Company's Articles of Association, all Directors shall retire from office once at least on each three (3) years, but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme as prescribed by the Listing Requirements. Directors are also encouraged to attend any relevant training programme to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

The Directors have undergone the following training programmes:-

Name	No. of hours/days	Mode of Training	Title
Leong Kong Hoy	One Day	Course	Post IPO-Investment Relationship
	One Day	Course	Valuation Analytics
Lau Sze Ming	Half Day	Course	Understanding and Interpreting Financial Statements
Lee Khiam Jin	One Day	Course	Risk Management Seminar
Chia Gek Liang	One Day	Course	Post IPO-Investment Relationship
	One Day	Course	Valuation Analytics
Chan Chee Wai	Half Day	Course	Understanding and Interpreting Financial Statements

Options Committee

An Option Committee was established by the Board to administer the Company's ESOS which was implemented on 28th October 2005. The Options Committee ensures that the ESOS is administered in accordance with the ESOS Bye-Laws.

B. DIRECTORS' REMUNERATION

The details of the Directors' remuneration of the Company for the financial year are :-

	Salary	Fee	Others	Total
	RM	RM	RM	RM
Executive Directors	468,000	-	58,205	526,205
Non-Executive Directors	-	90,000	-	90,000
Total	468,000	90,000	58,205	616,205

The Directors, whose remuneration falls within the bands are as follows :-

Range	Executive	Non-Executive
Below RM50,000	-	2
RM50,001 – RM100,000	2	1
RM100,001 – RM200,000	1	-
Above RM200,000	1	-

C. SHAREHOLDERS

The Group acknowledges the importance of communicating with its shareholders and does it through the Annual Reports and the Annual General Meetings. Other relevant information is disseminated via circulars to shareholders, quarterly financial results and various announcements made from time to time. The shareholders are notified of the Annual General Meeting and provided with a copy of the Group's Annual Report. The shareholders are also encouraged to participate in the Annual General Meetings. Alternatively, they may obtain the Company's latest announcements via Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide a balanced and understandable assessment of the Group's financial performance which are being prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

Internal Control

The Board of Directors acknowledges its responsibility for maintaining a system of internal controls, which provides reasonable assessments of effective and efficient operations, internal controls and compliance with laws and regulations.

External Audit

The external auditors role is to report to the shareholders of the Company and its subsidiaries on their findings which are included as part of the Group's financial reports with respect to each year's audit on the statutory financial statements. The role of the Audit Committee in relation to the external auditors is set out in the Report of the Audit Committee on page 7 of the Annual Report.

E. DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required to prepare the financial statements for each financial year, which gives a true and fair view of the state of affairs, the results and cash flow of the Group and of the Company for the financial year ended. The Directors are responsible for ensuring that the Group keeps accounting records with reasonable accuracy at any time the financial position of the Company and its subsidiaries. It is also the duty and responsibility of the Directors to ensure that the financial statements are complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

STATEMENT OF INTERNAL CONTROL

A. Introduction

The Board is committed to maintain a sound system of internal control of the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

B. Board Responsibilities

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessments of effective and efficient operations, internal controls and compliance with laws and regulations.

The Board recognises the importance of sound internal controls and risk management in safeguarding the assets of the Group. The Group has in place an on-going process to identify, monitor and manage any significant risks through internal controls set out in order to attain a reasonable assurance that its business objectives are met. These controls are regularly reviewed by the Board and subject to continuous improvements.

However, the Board also recognises that any control system installed cannot eliminate risk totally. The internal control system could only provide reasonable and not absolute assurance against material mis-statements or fraud.

C. Internal Control Framework

Even though currently the Group does not maintain an Internal Audit department due to lack of economies of scale, the Board believes that the same objective can be achieved as it has established an organisation with clearly defined lines of accountability and delegated authority.

A risk analysis of the Group is conducted on a regular basis with the necessary measures being put up to assess and monitor the impact on its operation and business.

The other key elements of the Group's internal control systems are described below:

- Regular monitoring of operational results against budgeted for the Board's review and discussion;
- Regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- Regular updates of internal policies and procedures, to reflect changing risks or resolve operational deficiencies; and
- Regular meetings with management to address weaknesses and improve efficiency.

The Board is of the view that there has been no significant breakdown or weaknesses in the system of internal control of the Group that may have a material impact on the operations of the Group for the financial year ended 31st December 2005.

DIRECTORS' REPORT

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 2005.

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 7 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
Profit before taxation	9,547,728	10,351,858
Income tax credit/(expense)	141,188	(18,941)
Profit after taxation	9,688,916	10,332,917
Minority interest	95,325	-
Net profit for the financial year	9,784,241	10,332,917

DIVIDENDS

There were no dividends paid or declared by the Company during the financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

Pursuant to the authority conferred to the Directors at the Extraordinary General Meeting held on 31st December 2004, the issued and paid-up share capital of the Company during the financial year was increased from RM6,629,755 to RM18,563,314 by way of bonus issue of 119,335,590 new ordinary shares of RM0.10 per share through capitalisation of RM4,298,516 and RM7,635,043 from the unappropriated profit and share premium account of the Company respectively.

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

The Company did not issue any debentures during the financial year.

SHARE OPTIONS

Mobif Berhad Employees Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 25th October 2005. The ESOS was implemented on 28th October 2005.

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 ten per cent (10%) 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:-

		Number of options over ordinary shares of RM0.10 each				
Date of Offer	Option Price RM	Balance at 01.01.2005	Granted	Exercised	Lapsed	Balance at 31.12.2005
10.11.2005	1.08	–	18,500,000	–	–	18,500,000

DIRECTORS'
REPORT

DIRECTORS

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

Leong Kong Hoy	
Lau Sze Ming	
Lee Khiam Jin	
Chia Gek Liang	
Chan Chee Wai	
Wong Say Ho	(Resigned on 11.08.2005)
Leong Kong Weng	(Resigned on 13.09.2005)

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			
Shares in the Company	Balance at 01.01.2005/ date of appointment	Bonus issue/ Bought	Sold	Balance at 31.12.2005
Registered in name of Directors				
Leong Kong Hoy	–	5,049,836	–	5,049.836
Lau Sze Ming	3,970,248	7,146,446	(3,750,000)	7,366,694
Lee Khiam Jin	6,594,988	11,870,980	(12,000,000)	6,465,968
Chia Gek Liang	1,798,000	3,236,400	(4,100,000)	934,400
Chan Chee Wai	827,120	–	–	827,120

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				
Share options in the Company	Balance at 01.01.2005/ date of appointment	Granted	Exercised	Lapsed	Balance at 31.12.2005
Registered in name of Directors					
Leong Kong Hoy	–	1,800,000	–	–	1,800,000
Lau Sze Ming	–	3,500,000	–	–	3,500,000
Lee Khiam Jin	–	1,800,000	–	–	1,800,000
Chia Gek Liang	–	500,000	–	–	500,000
Chan Chee Wa	–	500,000	–	–	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 no known bad debts need to be written off and that no allowance for doubtful debts is required; 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 require the writing off of bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; 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 liability 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.

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

LEE KHIAM JIN
Director

Pulau Pinang

Date : 24th March 2006

STATEMENT BY DIRECTORS

We, Leong Kong Hoy and Lee Khiam Jin, 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 approved accounting standards in Malaysia 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 2005 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

LEE KHIAM JIN
Director

Pulau Pinang

Date : 24th March 2006

STATUTORY DECLARATION

I, LEONG KONG HOY, 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.

LEONG KONG HOY

Subscribed and solemnly declared by the
abovenamed Leong Kong Hoy,
at Pulau Pinang, on 24th March 2006

Before me :

REPORT OF THE AUDITORS

TAN CHIN HUAT & CO.
AF 1395
Chartered Accountants (M)

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

REPORT OF THE AUDITORS TO THE MEMBERS OF

MOBIF BERHAD
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as at 31st December 2005 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 approved accounting standards in Malaysia 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 2005 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 have been properly kept in accordance with the provisions of the said Act.

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 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.

Our 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 (M)

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

Petaling Jaya

Date: 24th March 2006

BALANCE SHEETS

BALANCE SHEETS AS AT 31ST DECEMBER 2005

	Note	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
ASSETS					
Property, plant and equipment	5	1,671,328	1,444,836	1,598,067	1,444,836
Development costs	6	10,384,093	4,694,292	10,384,093	4,694,292
Investment in subsidiaries	7	–	–	500,000	500,000
Deferred tax assets	8	165,759	–	–	–
CURRENT ASSETS					
Inventories	9	3,041,623	2,658,801	2,806,958	2,658,801
Trade receivables	10	15,258,407	6,147,503	15,086,735	6,147,503
Other receivables and prepaid expenses	10	2,590,000	2,573,465	2,063,241	2,563,465
Amount owing by subsidiary	7	–	–	862,488	17,461
Fixed deposits with licensed banks		1,286,941	2,000,000	1,286,941	2,000,000
Cash and bank balances		1,128,897	2,578,468	1,046,800	2,078,228
		23,305,868	15,958,237	23,153,163	15,465,458
Less: **CURRENT LIABILITIES**					
Trade payables	11	3,744,234	1,708,739	3,593,697	1,708,739
Other payables and accrued expenses	11	1,106,915	519,093	963,778	517,736
Bank borrowing	12	999,000	–	999,000	–
Hire purchase creditors - current portion	13	38,051	37,630	38,051	37,630
Tax liabilities		1,580	15,600	1,580	15,600
		5,889,780	2,281,062	5,596,106	2,279,705
NET CURRENT ASSETS		17,416,088	13,677,175	17,557,057	13,185,753
		29,637,268	19,816,303	30,039,217	19,824,881
Financed by:					
Issued capital	14	18,563,314	6,629,755	18,563,314	6,629,755
Reserves	15	10,824,297	13,033,436	11,381,551	13,042,014
SHAREHOLDERS' EQUITY		29,387,611	19,663,191	29,944,865	19,671,769
Minority interest		149,675	–	–	–
LONG-TERM LIABILITIES					
Hire purchase creditors	13	85,452	141,112	85,452	141,112
Deferred tax liabilities	8	14,530	12,000	8,900	12,000
		29,637,268	19,816,303	30,039,217	19,824,881

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

INCOME STATEMENTS

INCOME STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Revenue		36,277,713	18,723,202	36,285,652	18,722,862
Other operating income	16	81,300	127,450	81,288	127,450
Changes in inventories of trading merchandise		382,822	2,192,316	148,157	2,192,316
Purchases and direct costs		(19,066,156)	(11,916,531)	(18,761,371)	(11,916,531)
Staff costs		(1,609,036)	(817,892)	(1,188,840)	(817,892)
Depreciation of property, plant and equipment		(259,861)	(275,073)	(243,606)	(275,073)
Directors' remuneration	17	(697,154)	(551,597)	(616,205)	(551,597)
Amortisation of development costs		(3,295,874)	(1,498,739)	(3,295,874)	(1,498,739)
Other operating expenses	16	(2,222,080)	(1,803,397)	(2,013,397)	(1,794,479)
Profit from operations		9,591,674	4,179,739	10,395,804	4,188,317
Finance costs	18	(43,946)	(10,957)	(43,946)	(10,957)
Profit before taxation		9,547,728	4,168,782	10,351,858	4,177,360
Income tax credit/(expense)	19	141,188	(27,600)	(18,941)	(27,600)
Profit after taxation		9,688,916	4,141,182	10,332,917	4,149,760
Minority interest		95,325	–	–	–
Net profit for the financial year		9,784,241	4,141,182	10,332,917	4,149,760
Earnings per ordinary share					
Basic (Sen)	20	5.27	2.58		
Diluted (Sen)	20	N/A	N/A		

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

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2005

	Issued capital	Non Distributable reserve- Share premium	Distributable reserve- Unappropriated profit	Total
GROUP	RM	RM	RM	RM
Balance as at 1st January 2004	1,000,000	–	4,047,145	5,047,145
Net profit for the financial year	–	–	4,141,182	4,141,182
Issuance of shares during the financial year:				
– Bonus issue	2,849,755	–	(2,849,755)	–
– Rights issue	1,500,000	–	–	1,500,000
– New issue	1,280,000	8,960,000	–	10,240,000
Listing expenses	–	(1,265,136)	–	(1,265,136)
Balance as at 31st December 2004	6,629,755	7,694,864	5,338,572	19,663,191
Issuance of shares during the financial year:				
– Bonus issue	11,933,559	(7,635,043)	(4,298,516)	–
Net profit for the financial year	–	–	9,784,241	9,784,241
Listing expenses	–	(59,821)	–	(59,821)
Balance as at 31st December 2005	18,563,314	–	10,824,297	29,387,611
COMPANY				
Balance as at 1st January 2004	1,000,000	–	4,047,145	5,047,145
Net profit for the financial year	–	–	4,149,760	4,149,760
Issuance of shares during the financial year:				
– Bonus issue	2,849,755	–	(2,849,755)	–
– Rights issue	1,500,000	–	–	1,500,000
– New issue	1,280,000	8,960,000	–	10,240,000
Listing expenses	–	(1,265,136)	–	(1,265,136)
Balance as at 31st December 2004	6,629,755	7,694,864	5,347,150	19,671,769
Issuance of shares during the financial year:				
– Bonus issue	11,933,559	(7,635,043)	(4,298,516)	–
Net profit for the financial year	–	–	10,332,917	10,332,917
Listing expenses	–	(59,821)	–	(59,821)
Balance as at 31st December 2005	18,563,314	–	11,381,551	29,944,865

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

CASH FLOW STATEMENTS

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	9,547,728	4,168,782	10,351,858	4,177,360
Adjustments for:				
Amortisation of development costs	3,295,874	1,498,739	3,295,874	1,498,739
Depreciation of property, plant and equipment	259,861	275,073	243,606	275,073
Interest income from fixed deposit	(67,586)	(120,823)	(67,586)	(120,823)
Inventories written off	9,232	1,927	9,232	1,927
Finance costs	43,946	10,957	43,946	10,957
(Gain)/ Loss on disposal of property, plant and equipment	(2,485)	104,912	(2,485)	104,912
Property, plant and equipment written off	–	7,240	–	7,240
Preliminary expenses written off	–	2,800	–	–
Operating profit before working capital changes	13,086,570	5,949,607	13,874,445	5,955,385
Changes in working capital:				
Increase in inventories	(392,054)	(2,194,243)	(157,389)	(2,194,243)
Increase in trade receivables	(9,110,904)	(4,045,592)	(8,939,232)	(4,045,592)
(Increase)/Decrease in other receivables and prepaid expenses	(27,899)	(2,095,923)	488,860	(2,085,923)
Increase in amount owing by subsidiary	–	–	(845,027)	(17,461)
Increase in trade payables	2,035,495	1,656,633	1,884,958	1,656,633
Increase in other payables and accrued expenses	587,822	444,833	446,042	443,476
Decrease in amount owing to Director	–	(385,200)	–	(385,200)
Cash Generated From/(Used In) Operations	6,179,030	(669,885)	6,752,657	(672,925)
Interest received	78,950	77,675	78,950	77,675
Interest paid	(43,946)	(10,957)	(43,946)	(10,957)
Preliminary expenses paid	–	(2,800)	–	–
Tax paid	(36,061)	–	(36,061)	–
Development costs incurred	(8,472,590)	(4,175,186)	(8,472,590)	(4,175,186)
Net Cash Used In Operating Activities	(2,294,617)	(4,781,153)	(1,720,990)	(4,781,393)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,014,953)	(1,362,536)	(925,437)	(1,362,536)
Proceeds from disposal of property, plant and equipment	18,000	26,000	18,000	26,000
Acquisition of shares in subsidiary (Note 7)	245,000	–	–	(500,000)
Net Cash Used In Investing Activities	(751,953)	(1,336,536)	(907,437)	(1,836,536)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	–	11,740,000	–	11,740,000
Payment of listing expenses	(59,821)	(1,265,136)	(59,821)	(1,265,136)
Repayment of hire purchase obligations	(55,239)	(30,184)	(55,239)	(30,184)
Increase in bank borrowing	999,000	–	999,000	–
Fixed deposit pledged to licensed bank	(250,000)	–	(250,000)	–
Net Cash From Financing Activities	633,940	10,444,680	633,940	10,444,680
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,412,630)	4,326,991	(1,994,487)	3,826,751
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	4,578,468	251,477	4,078,228	251,477
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 21)	2,165,838	4,578,468	2,083,741	4,078,228

Note: In 2004, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,542,536 of which RM180,000 was acquired under hire purchase arrangements. Cash payment for the acquisition of property, plant and equipment amounted to RM1,362,536.

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

NOTES TO THE FINANCIAL STATEMENTS

1) 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 7 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.

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 approved accounting standards in Malaysia.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including market, currency 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 2005 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:-

	Carrying Amount RM	Fair Value RM
Financial liabilities		
Hire purchase obligations (Note 13)	123,503	119,039

The fair value of the hire purchase 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) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Subsidiaries are companies 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 acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control are transferred to the Group and are no longer consolidated from the date that control ceases. The cost of acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or reserve on consolidation.

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

c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

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

	%
Furniture and fittings	10
Office equipment	20
Computer	20
Renovation	20
Motor vehicles	20
Plant and machinery	20

d) Investments

Investments in subsidiary, which are eliminated on consolidation, are stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 4(e).

e) 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.

f) Research and Development Costs

Research costs are recognised as an expense in the year in which they are incurred.

Expenditure on development is charged to the income statements in the year in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are recognised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operations, which is on average five years.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs.

h) 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.

i) Hire Purchase Arrangements

Assets held under hire purchase are treated as if they had been purchased at cost at the commencement of the hire purchase agreements. These costs are included under property, plant and equipment and depreciation is provided accordingly. The corresponding obligations under hire purchase are included under liabilities. The finance charges of instalments payable are charged to the income statements over the period of the hire purchase agreement.

j) 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.

k) Transaction in Foreign Currencies

Transaction in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange which approximate rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are reported in Ringgit Malaysia at rates ruling at that date. Exchange differences are dealt with through the income statements.

The principal closing rates used in the translation of foreign currency amounts are as follows:-

Currency	2005 RM	2004 RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	N/A	2.35
1 Thai Bath	N/A	0.10
1 Australian Dollar	N/A	2.80

l) 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 and services are recognised when the goods are delivered and services are rendered. Revenue represents the invoiced value of goods sold and services rendered net of discounts and returns.

m) Income Tax

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

Deferred tax is provided for, using the liability method, 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.

n) 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.

5) PROPERTY, PLANT AND EQUIPMENT

GROUP	Furniture and fittings	Office equipment	Computer	Renovation	Motor vehicles under hire-purchase	Plant and machinery	Total
	RM	RM	RM	RM	RM	RM	RM
Cost							
As at beginning of financial year	101,404	84,727	1,813,538	299,674	265,475	395,500	2,960,318
Additions	47,370	101,776	791,569	15,338	–	58,900	1,014,953
Disposals	–	–	–	–	(40,475)	–	(40,475)
As at end of financial year	148,774	186,503	2,605,107	315,012	225,000	454,400	3,934,796
Accumulated depreciation							
As at beginning of financial year	19,548	29,558	1,232,677	61,314	69,285	103,100	1,515,482
Charge for the financial year	14,877	36,935	520,772	63,807	45,675	90,880	772,946
Disposals	–	–	–	–	(24,960)	–	(24,960)
As at end of financial year	34,425	66,493	1,753,449	125,121	90,000	193,980	2,263,468
Net book value as at 31.12.2005	114,349	120,010	851,658	189,891	135,000	260,420	1,671,328
Net book value as at 31.12.2004	81,856	55,169	580,861	238,360	196,190	292,400	1,444,836
Depreciation for 2004	17,094	26,451	369,731	99,333	53,095	79,100	644,804

COMPANY							
Cost							
As at beginning of financial year	101,404	84,727	1,813,538	299,674	265,475	395,500	2,960,318
Additions	42,246	59,966	751,885	12,440	–	58,900	925,437
Disposals	–	–	–	–	(40,475)	–	(40,475)
As at end of financial year	143,650	144,693	2,565,423	312,114	225,000	454,400	3,845,280
Accumulated depreciation							
As at beginning of financial year	19,548	29,558	1,232,677	61,314	69,285	103,100	1,515,482
Charge for the financial year	14,365	29,459	513,085	63,227	45,675	90,880	756,691
Disposals	–	–	–	–	(24,960)	–	(24,960)
As at end of financial year	33,913	59,017	1,745,762	124,541	90,000	193,980	2,247,213
Net book value as at 31.12.2005	109,737	85,676	819,661	187,573	135,000	260,420	1,598,067
Net book value as at 31.12.2004	81,856	55,169	580,861	238,360	196,190	292,400	1,444,836
Depreciation for 2004	17,094	26,451	369,731	99,333	53,095	79,100	644,804

6) DEVELOPMENT COSTS

	GROUP AND COMPANY	
	2005	2004
	RM	RM
Cost		
As at beginning of financial year	7,493,697	2,948,780
Additions during the financial year	8,985,675	4,544,917
	16,479,372	7,493,697
Less:		
Cumulative amortisation:-		
– As at beginning of financial year	(2,799,405)	(1,300,666)
– Charge for the financial year	(3,295,874)	(1,498,739)
	(6,095,279)	(2,799,405)
As at end of financial year	10,384,093	4,694,292

Included in development costs during the financial year is depreciation of property, plant and equipment amounting to RM513,085 (2004: RM369,731).

7) INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2005	2004
	RM	RM
Unquoted shares - At cost	500,000	500,000

The subsidiaries are:

Name of company	Place of incorporation	Effective equity interest		Principal activities
		2005	2004	
		%	%	
Mobif Global Sdn. Bhd.	Malaysia	100	100	Dealing in telecommunication products and related services
Mobif Global (Borneo) Sdn. Bhd. *	Malaysia	51	–	Dealing in telecommunication products and related services

* Held indirectly through Mobif Global Sdn. Bhd.

The amount owing by subsidiary, 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	
	2005	2004
	RM	RM
Sales to Mobif Global Sdn. Bhd., a subsidiary	358,609	–
Purchases from Mobif Global Sdn. Bhd., a subsidiary	45,235	–

During the financial year, the Group acquired 51% equity interest in Mobif Global (Borneo) Sdn. Bhd. for a cash consideration of RM255,000. The effects of this acquisition on the financial results of the Group for the financial year are as follows:

Post-acquisition results of the subsidiaries acquired:	2005	2004
	RM	RM
Revenue	54,853	340
Changes in inventories of trading merchandise	255,549	–
Purchases and direct costs	(296,169)	–
Staff costs	(93,403)	–
Depreciation of property, plant and equipment	(8,074)	–
Director's remuneration	(80,949)	–
Other operating expenses	(74,145)	(8,918)
	(242,338)	(8,578)
Income tax credit	47,798	–
	(194,540)	(8,578)
Minority interest	95,325	–
Decrease in Group's profit attributable to shareholders	(99,215)	(8,578)

The effects of this acquisition on the financial position of the Group as at year end are as follows:

	2005	2004
	RM	RM
Net assets acquired:		
Cash and bank balances	500,000	500,000
Less: Minority interest	(245,000)	–
Total cash consideration	255,000	500,000
Less: Cash and bank balances	(500,000)	(500,000)
Cash flow on acquisition, net of cash and cash equivalents acquired	245,000	–

8) DEFERRED TAXATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deferred tax assets				
At beginning of year	–	–	–	–
Recognised in income statements (Note 19)	165,759	–	–	–
At end of year	165,759	–	–	–
Deferred tax liabilities				
At beginning of year	12,000	–	12,000	–
Recognised in income statements (Note 19)	2,530	12,000	(3,100)	12,000
At end of year	14,530	12,000	8,900	12,000

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

Deferred tax assets				
Tax effects of:				
Unabsorbed capital allowances	8,764	–	–	–
Unutilised tax losses	133,995	–	–	–
Other temporary differences	23,000	–	–	–
	165,759	–	–	–
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowances and book depreciation of property, plant and equipment	5,630	–	–	–
Temporary difference arising from realisation of fixed deposit interest receivable	8,900	12,000	8,900	12,000
	14,530	12,000	8,900	12,000

9) INVENTORIES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Trading merchandise - At cost	3,041,623	2,658,801	2,806,958	2,658,801

10) TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

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 (2004: 60 to 90 days).

Other receivables and prepaid expenses consist of :-

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Advance payment	29,472	176,313	29,124	176,313
Refundable deposits	2,528,744	2,324,750	2,002,333	2,314,750
Interest income receivable	31,784	43,148	31,784	43,148
Deferred expenditure	–	29,254	–	29,254
	2,590,000	2,573,465	2,063,241	2,563,465

11) 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 (2004: 60 days).

Other payables and accrued expenses consist of :-

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other payables	1,034,993	506,052	912,950	506,052
Accrued expenses	71,922	8,841	50,828	7,484
Refundable deposits and prepaid rental received	–	4,200	–	4,200
	1,106,915	519,093	963,778	517,736

Included in other payables in 2005 is an amount of RM28,314 owing to a director of a subsidiary. The balance which arose mainly from expenses paid on behalf and interest-free advances given, is unsecured and bears no fixed terms of repayment.

12) BANK BORROWING

	GROUP AND COMPANY	
	2005	2004
	RM	RM
Bankers' acceptances	999,000	–

As at 31st December 2005, the Group has credit facilities totalling RM1,250,000 from two licensed banks. These facilities are secured by a fixed deposit and bear interest ranging from 2.8% to 3.4% per annum.

13) HIRE PURCHASE CREDITORS

	GROUP AND COMPANY	
	2005	2004
	RM	RM
Total hire purchase instalments outstanding	136,305	203,584
Less :		
Hire purchase interest in suspense	(12,802)	(24,842)
Net balance payable	123,503	178,742
Repayable as follows :		
Portion payable within the next 12 months (included in current liabilities)	38,051	37,630
Portion payable after the next 12 months:-		
Payable between 1 and 2 years	37,428	40,212
Payable between 2 and 5 years	48,024	100,900
	85,452	141,112
	123,503	178,742

The interest rates on hire purchase ranging from 3.30% to 3.90% (2004: 3.30% to 3.90%) per annum.

14) SHARE CAPITAL

	Number of ordinary shares of RM0.10 each GROUP AND COMPANY		GROUP AND COMPANY	
	2005	2004	2005	2004
			RM	RM
Authorised:				
As at beginning of financial year	250,000,000	50,000,000	25,000,000	5,000,000
Created during the financial year	2,750,000,000	200,000,000	275,000,000	20,000,000
As at end of financial year	3,000,000,000	250,000,000	300,000,000	25,000,000
Issued and fully paid:				
As at beginning of financial year	66,297,550	10,000,000	6,629,755	1,000,000
Issued during the financial year	119,335,590	56,297,550	11,933,559	5,629,755
As at end of financial year	185,633,140	66,297,550	18,563,314	6,629,755

Pursuant to the authority conferred to the Directors at the Extraordinary General Meeting held on 31st December 2004, the issued and paid-up share capital of the Company during the financial year was increased from RM6,629,755 to RM18,563,314 by way of bonus issue of 119,335,590 new ordinary shares of RM0.10 per share through capitalisation of RM4,298,516 and RM7,635,043 from the unappropriated profit and share premium account of the Company respectively.

As approved by the shareholders vide Members' Circular Resolution dated 16th April 2004, the issued and paid-up share capital of the Company in 2004 was increased from RM1,000,000 to RM3,849,755 by way of bonus issue of 28,497,550 new ordinary shares of RM0.10 per share through capitalisation of RM2,849,755 from the unappropriated profit of the Company.

Also, as approved by the shareholders vide the same resolution, the issued and paid-up share capital of the Company in 2004 was further increased from RM3,849,755 to RM5,349,755 by a rights issue of 15,000,000 new ordinary shares of RM0.10 per share at an issue price of RM0.10 per share on the basis of 1.5 new shares for every existing share held before the bonus issue.

As approved by the shareholders vide Members' Circular Resolution dated 11th May 2004, the issued and paid-up share capital of the Company in 2004 was further increased from RM5,349,755 to RM6,629,755 by the allotment of 12,800,000 new ordinary shares of RM0.10 each at an issue price of RM0.80.

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

Mobif Berhad Employees Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 25th October 2005. The ESOS was implemented on 28th October 2005.

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 ten per cent (10%) 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:

		Number of options over ordinary shares of RM0.10 each				
Date of offer	Option price RM	Balance at 01.01.2005	Granted	Exercised	Lapsed	Balance at 31.12.2005
10.11.2005	1.08	–	18,500,000	–	–	18,500,000

15) RESERVES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Non Distributable Reserve:				
Share premium	–	7,694,864	–	7,694,864
Distributable Reserve:				
Unappropriated profit	10,824,297	5,338,572	11,381,551	5,347,150
	10,824,297	13,033,436	11,381,551	13,042,014

Share premium

Share premium arose from the following:

	GROUP AND COMPANY	
	2005	2004
	RM	RM
Issue of 12,800,000 ordinary shares at a premium of RM0.70 per ordinary share in 2004, net of share issue expenses of RM1,265,136	7,694,864	7,694,864
Capitalisation for bonus issue during the financial year	(7,635,043)	–
Utilisation for bonus issue expenses	(59,821)	–
	–	7,694,864

Unappropriated profit

Based on the prevailing tax rate applicable to dividends, and the estimated tax exempt income and tax credit available, the Company has sufficient income to frank dividends of approximately RM9,257,000 (2004: RM4,390,000) out of its unappropriated profit as at year end without additional tax liability being incurred.

16) OTHER OPERATING INCOME/(EXPENSES)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other operating income/(expenses) is stated after charging:-				
Auditors' remuneration				
– Statutory	14,200	6,500	10,000	6,000
– Special	–	6,300	–	6,000
Inventories written off	9,232	1,927	9,232	1,927
Loss on disposal of property, plant and equipment	–	104,912	–	104,912
Loss on foreign exchange	120	–	–	–
Preliminary expenses written off	–	2,800	–	–
Property, plant and equipment written off	–	7,240	–	7,240
Rental of hostel	23,950	–	23,950	–
Rental of premises	256,687	222,767	235,887	222,767
Rental of machinery	3,470	2,540	3,470	2,540
And crediting:				
Interest income from fixed deposits	67,586	120,823	67,586	120,823
Gain on disposal of property, plant and equipment	2,485	–	2,485	–
Gain on foreign exchange	11,217	6,627	11,217	6,627

17) DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Executive Directors:				
Other emoluments	607,154	484,597	526,205	484,597
Non-Executive Directors:				
Fees	90,000	67,000	90,000	67,000
	697,154	551,597	616,205	551,597

18) FINANCE COSTS

	GROUP AND COMPANY	
	2005	2004
	RM	RM
Interest on:		
Hire purchase	8,179	10,957
Bankers' acceptances	35,767	–
	43,946	10,957

19) INCOME TAX CREDIT/(EXPENSE)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Estimated income tax payable:				
Taxation based on fixed deposit interest received	(22,106)	(15,600)	(22,106)	(15,600)
Deferred tax in respect of:				
Tax assets (Note 8)	165,759	–	–	–
Tax liabilities (Note 8)	(2,530)	(12,000)	3,100	(12,000)
	141,123	(27,600)	(19,006)	(27,600)
Overprovision of taxation in prior year	65	–	65	–
	141,188	(27,600)	(18,941)	(27,600)

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Accounting profit	9,547,728	4,168,782	10,351,858	4,177,360
Tax expense at the applicable statutory income tax rate of 20%/28% (2004: 20%/28%)	(2,737,853)	(837,191)	(2,898,520)	(838,907)
Tax effects of:				
Expenses that are not deductible for tax purposes	(833,954)	(280,227)	(833,416)	(278,511)
Expenses capitalised as development costs	2,372,325	835,037	2,372,325	835,037
Income exempted from tax	1,340,605	254,781	1,340,605	254,781
Overprovision of taxation in prior year	65	–	65	–
	141,188	(27,600)	(18,941)	(27,600)

The Company has been awarded Multimedia Super Corridor status in 2001. Accordingly, there is no tax charge on business income in 2005 and 2004 as the Company has been granted pioneer status under the Promotion of Investments (Amendment) Act, 1997. The provision for taxation of the Company in 2005 and 2004 is in respect of interest income on fixed deposits.

As at 31st December 2005, the Company has pre-pioneer unutilised business losses and unabsorbed capital allowances totalling about RM868,500 (2004: RM868,500), which subject to agreement by the tax authorities, are available for offset against future taxable income.

20) EARNINGS PER ORDINARY SHARE

Basic

The basic earnings per ordinary share of the Group has been calculated based on the Group's net profit for the year of RM9,784,241 (2004: RM4,141,182) and on the weighted average number of ordinary shares of RM0.10 each in issue during the financial year of 185,633,140 (2004: 160,641,228) as follows:

	GROUP	
	2005	2004
Weighted average number of ordinary shares in issue	185,633,140	57,371,867
Adjustments for:		
Bonus issue	–	103,269,361
Adjusted weighted average number of ordinary shares in issue	185,633,140	160,641,228

Diluted

The diluted earnings per ordinary share of the Group has not been presented as the options over unissued ordinary shares granted pursuant to the ESOS at the end of the financial year have anti-dilutive effect as the exercise price of the options is above the average market value of the Company's shares during the financial year ended 31st December 2005.

21) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Cash and bank balances	1,128,897	2,578,468	1,046,800	2,078,228
Fixed deposits with licensed banks	1,286,941	2,000,000	1,286,941	2,000,000
	2,415,838	4,578,468	2,333,741	4,078,228
Less:				
Fixed deposit pledged to licensed bank	(250,000)	–	(250,000)	–
	2,165,838	4,578,468	2,083,741	4,078,228

The average interest rate per annum of deposits that was effective as at the balance sheet date was 3.7% (2004: 3.7%).

22) SEGMENTAL INFORMATION

Information on the Group's operations by segment is not provided as only a single activity being engaged by the Group and the Group operates predominantly in Malaysia.

23) CORPORATE PROPOSAL

On 19th September 2005, the Company announced that it was proposing to undertake a private placement involving the issuance of up to 18,563,314 new ordinary shares of RM0.10 each in the Company, representing not more than 10% of the issued and paid-up share capital of the Company ("Private Placement").

The application for the Private Placement was approved by the Securities Commission on 10th November 2005. On 3rd February 2006, the Company announced that the issue price for the proposed Private Placement has been fixed at RM0.91 per ordinary share of RM0.10 each. Pursuant to the above said Private Placement, 6,000,000 and 6,563,314 new ordinary shares of RM0.10 each were allotted and issued on 7th March 2006 and 13th March 2006 respectively.

24) GENERAL INFORMATION

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 24th March 2006.

The total number of employees (including Directors of the Company) of the Group and of the Company at year end were 62 (2004: 28) and 48 (2004: 28) respectively.

ANALYSIS OF SHAREHOLDINGS

AS AT 22ND MARCH 2006

Authorised Capital	RM300,000,000.00
Issued and Fully Paid-Up Capital	RM19,855,445.40 comprising 198,554,454 Ordinary Shares of RM0.10 each
Class of Shares	Ordinary Shares of RM0.10 each
Voting Rights	One vote per share

ANALYSIS BY SIZE OF SHAREHOLDING

	Number of Shareholders		Number of Shares		%	
Size of Holdings	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100 shares	22	0	994	0	0.00	0.00
100 to 999 shares	38	2	14,150	1,000	0.01	0.00
1,000 to 4,999 shares	344	4	677,800	10,000	0.34	0.01
5,000 to 10,000 shares	245	3	1,893,700	25,000	0.95	0.01
10,001 to 100,000 shares	282	5	11,333,700	248,000	5.71	0.12
100,001 to 1,000,000 shares	52	9	15,667,340	5,212,900	7.89	2.63
Above 1,000,000 shares	17	6	93,693,170	69,776,700	47.19	35.14
Total	1,000	29	123,280,854	75,273,600	62.09	37.91

SUBSTANTIAL SHAREHOLDERS

	Number of Shares Held			
	Direct	%	Indirect	%
DB (Malaysia) Nominee (Asing) Sdn. Bhd. – Exempt An for Deutsche Bank AG London (PB Priam)	29,841,900	15.03	–	–
Ethimax Sdn. Bhd.	26,743,149	13.47	–	–
DB (Malaysia) Nominee (Asing) Sdn. Bhd. – Exempt An for Deutsche Bank AG London (PB Aeneas)	21,773,400	10.97	–	–
Leong Kong Weng	8,465,457	4.26	26,743,149*	13.47

*Deemed interested by virtue of his shareholding in Ethimax Sdn. Bhd. in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS

	Number of Shares Held			
	Direct	%	Indirect	%
Leong Kong Hoy	5,049,836	2.54	–	–
Lau Sze Ming	7,366,694	3.71	–	–
Lee Khiam Jin	6,465,968	3.26	–	–
Chia Gek Liang	934,400	0.47	–	–
Chan Chee Wai	327,120	0.16	–	–

ANALYSIS OF SHAREHOLDINGS

20 LARGEST SHAREHOLDERS

No.	Shareholder	Number of Shares Held	%
1.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An for Deutsche Bank AG London (PB Priam)	29,841,900	15.03
2.	Ethimax Sdn. Bhd.	26,743,149	13.47
3.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An for Deutsche Bank AG London (PB Aeneas)	21,773,400	10.97
4.	Leong Kong Weng	8,465,457	4.26
5.	Lau Sze Ming	7,366,694	3.71
6.	Lim Swee Hua	6,563,314	3.31
7.	Lee Khiam Jin	6,465,968	3.26
8.	Viewgrand Group Ltd.	6,000,000	3.02
9.	Khaw Kheng Wooi	6,000,000	3.02
10.	Leong Kong Hoy	5,049,836	2.54
11.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for JP Morgan Chase Bank, National Association (U.S.A)	4,161,400	2.10
12.	Hutchisons Energy Ltd.	4,000,000	2.01
13.	Ronshaw Holdings Limited	4,000,000	2.01
14.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Hun Sniah	3,809,000	1.92
15.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Chin Thes	3,668,000	1.85
16.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Ching Hoe	3,532,000	1.78
17.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Eng Huat	3,320,320	1.67
18.	Goh Seow Cheng	2,686,792	1.35
19.	A.A Anthony Securities Sdn. Bhd. IVT (CI001)	2,453,440	1.24
20.	Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for A.A. Anthony Securities Sdn. Bhd. (2555 Peng)	2,349,000	1.18
Total		**158,249,670**	**79.70**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Topaz Room, Level 8, The Krystal Suites, The Krystal Suite Management Sdn. Bhd., Jalan Tun Dr. Awang, 11900 Bayan Lepas, Pulau Pinang on Friday, 19th May 2006 at 10.00 a.m. for the following purpose :-

AGENDA
AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31st December 2005 together with the Reports of the Directors and the Auditors thereon **(Resolution 1)**

2. To approve the payment of Directors' fees for the financial year ended 31st December 2005 **(Resolution 2)**

3. To re-elect the following Directors who retire in accordance with Article 83 of the Company's Articles of Association :
   (i) Lee Khiam Jin **(Resolution 3)**
   (ii) Chia Gek Liang **(Resolution 4)**

4. To re-appoint Messrs. Tan Chin Huat & Co. as Auditors and to authorise the Board of Directors to fix their remuneration **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution :-

5. **ORDINARY RESOLUTION**
   AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "That pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and / or regulatory authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued capital of the Company for the time being; THAT the Directors be and are also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares so issued; AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company" **(Resolution 6)**

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965

By Order of the Board

Teoh Pek Hwa (MAICSA 7018613)
Company Secretary

Pulau Pinang
27th April 2006

NOTICE OF ANNUAL
GENERAL MEETING

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his / her stead. A proxy need not be a member of the Company.

2. A member may appoint up to three (3) proxies to attend at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he / she specifies the proportions of his / her holdings to be represented by each proxy.

3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorised.

4. The Form of Proxy must be deposited at the Registered Office of the Company at Unit 1-3-3, No. 1, Jalan P. Ramlee, 10460 Pulau Pinang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. Ordinary Resolution 6 under Agenda 5

   This proposed Resolution is primarily to give flexibility to the Board of Directors of the Company to allot and issue shares at any time at their absolute discretion without convening a general meeting.

STATEMENT ACCOMPANYING NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

1. Name of the Directors who are standing for re-election at the Sixth Annual General Meeting of MOBIF BERHAD:-

Director	Retiring pursuant to Article No.
a) Lee Khiam Jin	83
b) Chia Gek Liang	83

   Details of the Directors seeking re-election is set out in the section on Directors' Profile on pages 3 and 4 of this Annual Report. Their shareholdings in the Company is set out in the section on Shareholdings Statistics on page 40 of this Annual Report.

2. Four (4) Board meetings were held during the financial year ended 31st December 2005. The details of attendance of the individual Directors at the Board meetings are set out on page 8 of this Annual Report.

3. The Sixth Annual General Meeting of the Company will be held as follows:-

   Venue : Topaz Room
   Level 8, The Krystal Suites
   The Krystal Suite Management Sdn. Bhd.
   Jalan Tun Dr. Awang
   11900 Bayan Lepas, Pulau Pinang
   Date : Friday, 19th May 2006
   Time : 10.00 a.m.

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PROXY FORM

MOBIF BERHAD
(Company Number: 500396-A)
(Incorporated in Malaysia under the Companies Act, 1965)

(Before completing this form please refer to the notes overleaf.)

I/We ..... (Full name in block letters)

of ..... (Full address)

.....

being a member/members of Mobif Berhad hereby appoint the following person(s):-

Name of proxy, NRIC No. & address	No. of shares to be represented by proxy
1.	.....
2.	.....
3.	.....

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Topaz Room, Level 8, The Krystal Suites, The Krystal Suite Management Sdn. Bhd., Jalan Tun Dr. Awang, 11900 Bayan Lepas, Pulau Pinang on Friday, 19th May 2006 at 10.00 a.m. and at every adjournment thereof to vote as indicated below:-

		FOR	AGAINST
1	To receive the Audited Financial Statements for the financial year ended 31st December 2005 together with the Reports of the Directors and the Auditors thereon		
2	To approve the payment of Directors' Fees for the financial year ended 31st December 2005		
3	To re-elect Mr. Lee Khiam Jin as Director		
4	To re-elect Mr. Chia Gek Liang as Director		
5	To re-appoint Messrs. Tan Chin Huat & Co. as Auditors		
6	To approve the issue of shares not exceeding 10% of the issued capital of the Company		

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

In case of a vote taken by a show of hands, the first-named Proxy shall vote on *my/our behalf.

As witness my hand this …….. day of …… 2006

……
Signature/Common Seal

* Delete if not applicable

FOLD▶

AFFIX
STAMP
HERE

THE COMPANY SECRETARY
Mobif Berhad
Unit 1-3-3
No. 1 Jalan P. Ramlee
10460 Pulau Pinang

FOLD▶

FOLD▶

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his / her stead. A proxy need not be a member of the Company.
2. A member may appoint up to three (3) proxies to attend at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he / she specifies the proportions of his / her holdings to be represented by each proxy.
3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorised.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Unit 1-3-3, No. 1, Jalan P. Ramlee, 10460 Pulau Pinang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES TO SPECIAL BUSINESS

5. Ordinary Resolution 6 under Agenda 5

This proposed Resolution is primarily to give flexibility to the Board of Directors of the Company to allot and issue shares at any time at their absolute discretion without convening a general meeting.