



BIOTECHCORP
MALAYSIAN BIOTECHNOLOGY
CORPORATION

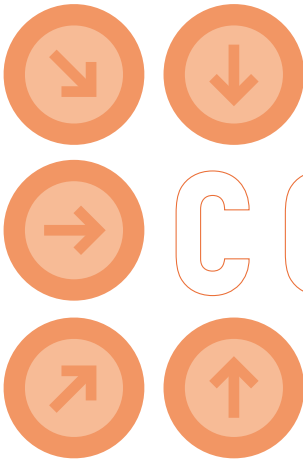


BIⓈTECH BEGINS

BiotechCorp Annual Report 2007



*We live in a place
where a single discovery
can change our world.*



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Industry Overview





Facts & Figures

Malaysia's competitive edge is its biodiversity of natural resources and strong industrial and manufacturing capabilities. Coupled with strong economic fundamentals, excellent infrastructure, political stability and skilled workforce, Malaysia has the potential and the right environment for the biotechnology industry to flourish. A National Biotechnology Policy was formulated in 2005 by the Government that outlined Malaysia's niche and competitive advantages in biotechnology.

Since the implementation of the policy, various initiatives have been undertaken by both the Government and private sectors to enhance the growth of the biotechnology industry, as well as to strengthen the operational and legal framework. Initiatives implemented under the policy have generated results which contributed to the escalation of the biotechnology activities by international and local participants.

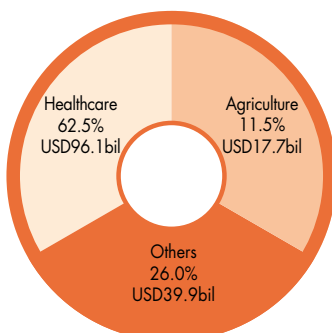
Expected Global Biotechnology Revenue Generation

Expected Growth 2006 - 2011	↔	12%
Expected Revenue by 2011	↔	US\$271.4 billion

Asia Pacific Biotechnology Revenue

Revenue	↔	2006	↔	US\$36.7 billion
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Global Biotechnology Revenue by Sectors



The BioNexus Companies at a Glance

	2007
No. of BioNexus Companies	42
Approved Investment (RM' billion)	1.08
Market Capitalisation (RM' million)	676.5
No. of Employees	1,040

Global Market Capitalisation Growth

2006	↔	USD153.7 billion	↑12.6%
2005	↔	USD136.5 billion	Growth

Malaysian Market Capitalisation Growth (2007)

2007	↔	RM2.5 billion	↑0.3%
2006	↔	RM2.1 billion	Growth

Number of Malaysian Biotechnology Companies Listed in 2007

Healthcare sector	↔	7
Other sectors	↔	4
Total companies	↔	11





Malaysia's Global Biotechnology Competitiveness as at 2006

	Malaysia	Singapore	South Korea	China	India	New Zealand	Australia
Strengths	Biodiversity	International talent	Investment	Human Capital	Human Capital	Research & Commercialisation	Research Infrastructure
	Low Cost	Dedicated foster agency	Biomaterials	Low Cost	Low Cost	Services	IP Protection
No. of Biotechnology Companies	27	25	41	250	250	44	226
No. of Research Institutions	14	6	103	222	37	28	94
National Biotechnology Plan	Yes	Yes	Yes	No	No	Yes	Yes
No. of R&D Researchers	3,400	16,700	136,300	742,700	149,300	8,200	65,800
World Ranking on Patent Protection	33	7	37	39	47	15	5
Activities	Genomics Pharmaceuticals Molecular Biodiesel Nutraceuticals Agriculture	Genomics Bioengineering Bioprocessing Bioinformatics Nanotechnology	Biomedicine Bioagriculture Biofood Biohealth Marine	Agriculture Biomedicine Bioresources	Bioinformatics Therapeutics Industrial Vaccines	Biomedicine Food Tech Plant Science Environmental Biosecurity Agrotechnology	Pharmaceuticals Biomedicine Genomics Therapeutics Bioengineering Nanotechnology

Source: Ernst and Young





The National Biotechnology Policy

The Malaysian Government recognised biotechnology as one of the key strategic drivers that will propel the nation social and economic development further. Biotechnology expands societal wellbeing and wealth creation by un-

locking the value of the country's natural resources and human capital talents. At the initial stage, the Government will be the main driver for biotechnology development by providing strategic direction, infrastructure development

and funding. This will provide an integrated platform for participation by the scientific, business and funding groups to ensure an eco-system that is capable of sustaining Malaysia's growth and progress in biotechnology.

The Thrusts of the National Biotechnology Policy

1	Agricultural Biotechnology	Transform and enhance the value creation of the agricultural sector through biotechnology.
2	Healthcare Biotechnology	Capitalise on the country's biodiversity for commercialising the discoveries of health-related natural products and bio-generic drugs.
3	Industrial Biotechnology	Leverage on the country's strong manufacturing sector to increase opportunities for bio-processing and bio-manufacturing.
4	Research & Development, Technology Acquisition	Establish centres of biotechnology excellence, through research and development, as well as technology acquisition.
5	Human Capital Development	Build the nation's human capital through education, training and research activities, with the aim of producing knowledge generation capabilities.
6	Financial Infrastructure	Provide the right financial support via competitive lab to market funding and incentives to encourage committed participation from academia and the private sector, including Government-linked companies.
7	Legal & Regulatory Framework	Strengthen the legal and regulatory framework by reviewing ownership of intellectual properties and regulations relating to biotechnology processes and business.
8	Strategic Development	Build international recognition for Malaysian biotechnology and find a niche in the global biotechnology value chain.
9	Government Support & Commitment	Realise the execution of the policy through the establishment of a dedicated and professional Government agency to spearhead the development of the biotechnology industry with the incorporation of the Malaysian Biotechnology Corporation (BiotechCorp).



The Biotechnology Master Plan

Initiatives under the National Biotechnology Policy are implemented within the timeframe of the Biotechnology Master Plan from 2005 to 2020.

Phase 1:	Capacity Building	(2005-2010)
<ul style="list-style-type: none">➔ Provide Biotechnology Development Incentives➔ Improve Human Capital & Skills Development➔ Improve Job Creation➔ Intensify R&D➔ Accelerate Development in Agricultural, Healthcare and Industrial Biotechnologies➔ Strengthen Legal and Intellectual Property (IP) Framework➔ Develop Bioinformatics➔ Develop BioNexus Companies		
Phase 2:	Commercialisation of Biotechnology	(2011 – 2015)
<ul style="list-style-type: none">➔ Intensify Foreign Direct Investment (FDI) Participation➔ Expand Pool of Knowledge Workers➔ Develop Expertise in Drug Discovery and Development based on Biodiversity and Natural Resources➔ Improve New Product Development➔ Intensify Technology Acquisition➔ Develop Capability in Technology Licensing➔ Create Global Brands		
Phase 3:	A Global Biotechnology Participant	(2016-2020)
<ul style="list-style-type: none">➔ Consolidate Strengths and Capabilities in Biotechnology Development➔ Intensify Expertise and Strengths in Drug Discovery and Development➔ Create Leadership in Innovation and Technology Licensing➔ Create Greater Value through Global Malaysian Companies➔ Strengthen Branding of Malaysia as a Global Biotechnology Hub		



Wealth Creation and Societal Wellbeing

Biotechnology is poised to drive the next wave of knowledge-based industries that will contribute to growth and wealth creation, new investment and employment opportunities, as well as deliver social and environmental benefits.

Under the Ninth Malaysian Plan (9MP),

the Government had allocated RM2.0 billion for biotechnology development. Of this, 45.9% will be for physical infrastructure development. The balance will be used for soft infrastructure development including R&D and commercialisation as well as business development programmes.

The objective is to enhance applications of biotechnology in various economic sectors. This will expand the number of quality, high value-added and knowledge-intensive companies whilst creating more job opportunities.

Key Indicators for the Biotechnology Industry: 2005 to 2020

Indicators	Phase 1 2005-2010	Phase 2 2011-2015	Phase 3 2016-2020	Total Phases I to III
Investment by Private Sector and Government	RM6b	RM9b	RM15b	RM30b
Employment	40,000	80,000	160,000	280,000
No. of Companies	25	25	50	100
Total Revenue	RM20b	RM80b	RM170b	RM270b
Contribution to GDP	2.5%	4%	5%	5%





The People





Chairman's Message



*YBhg Tan Sri Datuk Dr Ahmad
Zaharudin bin Idrus*

With the launch of the National Biotechnology Policy in 2005 by YAB Dato' Seri Abdullah Hj. Ahmad Badawi, Prime Minister of Malaysia - a strong foundation was established for the growth and progress of biotechnology in Malaysia.

Malaysian Biotechnology Corporation (BiotechCorp) was established in the same year to lead and develop biotechnology in line with the key objectives of the National Biotechnology Policy.

Given the continuing support and commitment of key stakeholders from the Government, related Ministries, government agencies, the business, financial, scientific and academic communities – much has been achieved by BiotechCorp since then.

In collaboration with its stakeholders, BiotechCorp continued to deliver results across the nine thrust areas of the National Biotechnology Policy in developing biotechnology for wealth

creation and national wellbeing for all Malaysians.

Between 2005 and 2007, BiotechCorp has nurtured 42 biotechnology companies under its BioNexus status. This has resulted in a substantial investment in the Malaysian biotechnology industry since the establishment of BiotechCorp as a dedicated and professional development agency in 2005.

In enhancing Malaysian talent and competencies in biotechnology, BiotechCorp had undertaken a range of training and mentorship programmes, which focused on enhancing commercialisation and entrepreneurship in biotechnology, whilst improving the value of life science qualification in the employment sector.

In providing a conducive environment to escalate the progress of biotechnology and concurrent with its contribution in developing pro-biotechnology policies and regulations, BiotechCorp initiated the Intellectual Property (CIP) and Patent Examiner programmes which resulted in real gains by providing certification for intellectual property training and clearing of backlog patents.

In promoting Malaysia as a competitive biotechnology hub, BiotechCorp continued to generate leads in representing the Malaysian biotechnology sector in selected global events as well as the successful organisation of the annual BioMalaysia conference and exhibition – the premier biotechnology event in the region.

In 2007, BioMalaysia broke all records with over 7,800 participants – including 60 biotechnology experts from 30

countries speaking at the conference, 85 international and local exhibitors and over 6,000 trade visitors.

In reviewing the dynamic moments and significant achievements from 2005 to 2007, BiotechCorp would not have gone as far without the contribution of so many committed groups and individuals.

I wish to thank all members of the International Advisory Panel and the Biotechnology Implementation Council led by YAB Dato' Seri Abdullah Haji Ahmad Badawi, Prime Minister of Malaysia. My gratitude to the Ministry of Finance, Ministry of International Trade and Industry, Ministry of Health, Ministry of Agriculture, other related Ministries and government agencies – all of whom have shown the commitment of the Malaysian government in biotechnology. Specifically, the Ministry of Science, Technology and Innovation – previously under the stewardship of YB Dato' Sri Dr Jamaludin Jarjis and going forward with YB Datuk Dr Maximus Johnity Ongkili, Minister of Science, Technology and Innovation – thank you for the support to enhance biotechnology R&D and improve the regulatory environment.

Finally, my appreciation to Chief Executive Officer YBhg Dato' Iskandar Mizal Mahmood, members of the Board, the management team and all staff of BiotechCorp. It is our total commitment and focus that will generate even more outstanding results for 2008 and beyond.



Chief Executive Officer's Review

Nine Hundred Days of Collaboration

Biotechnology begins with collaborations. Collaborations that strengthen into teamwork, discovery, partnership, commercialisation and successful business.

In the 900 days since the establishment of BiotechCorp, our team would have met in excess of half a million people globally and in Malaysia, to promote collaborations. At BiotechCorp we are not counting the days, but we are delivering results that count - for the biotechnology industry and for all Malaysians. Thus, over 900 days, over many initiatives and achievements we are pleased to share this report with you.

Building the Biotechnology Business

At the time of this review, achievements in the global biotechnology industry is nothing short of amazing – characterised by strong product pipelines and product success, record-breaking financial totals, unprecedented deal activity and impressive financial results.

Capital raised by biotechnology companies globally reached an all-time high of US\$28 billion, similarly with deal values which hit an all-time record of US\$23 billion. Revenues of public biotechnology companies exceeded US\$70 billion for the first time whilst net losses fell. Whilst much of this is recorded in the US, Europe and Canada – the impact is global. In Asia Pacific, biotechnology companies are competing to leverage on the Asian advantage in biomanufacturing and contract services, whilst stepping up commercialisation in drug discovery and research.

In Malaysia, the capacity building initiatives led by BiotechCorp accelerated results in building a network of robust biotechnology companies under the BioNexus status which drew the interest

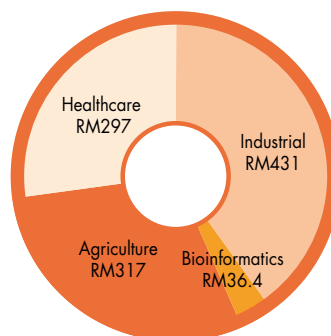


YBhg Dato' Iskandar Mizal bin Mahmood

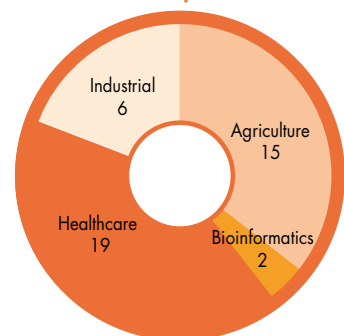
of national and international investor. The BioNexus status is a designation awarded to qualifying biotechnology companies making them eligible for privileges under the Bill of Guarantees, grants and tax incentives. During the

period of under review BiotechCorp nurtured 42 BioNexus companies with total approved investment of RM1.08 billion including participation from established biotechnology companies in the US, Taiwan and India.

Total BioNexus Investment: RM1.08 billion



Number of BioNexus Companies: 42 companies





Number of BioNexus Companies by State

States	Agriculture	Healthcare	Industrial	Bioinformatics	Total
Perak	1	-	-	-	1
Selangor	5	10	4	1	20
WP Kuala Lumpur	5	6	1	1	13
Negeri Sembilan	1	1	-	-	2
Melaka	-	1	-	-	1
Johor	3	-	1	-	4
Sarawak	-	1	-	-	1
Total	15	19	6	2	42

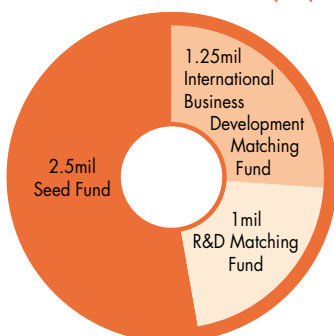
Project Activities

Project Type	Activities
Agricultural	Crop, Livestock, Marine & Aquaculture, Natural Products
Healthcare	Contract Research Organisation (CRO), Contract Manufacturing Organisation (CMO), Drug Delivery and Discovery, Medical Devices and Diagnostics, Vaccines, Therapeutics, Genomics, Stem-cell Therapy
Industrial	Biofuel, Biopolymer, Enzyme, Bioremediation, Bioprocessing for Fine & Specialty Chemicals

Malaysian BioNexus companies are involved in a significant range of activities across the spectrum of agriculture, healthcare, industrial biotechnology and bioinformatics whilst creating over 1,000 new employment.

In funding the biotechnology business, BiotechCorp provides grants for seed funding, R&D Matching and International Business Development. At the end of the review period, grants amounting to RM6.25 million were approved for four BioNexus companies, with 14 grant applications in the pipeline amounting to RM33 million pending approval.

Allocation for Biotechnology Commercialisation Grant (RM)



At the end of the review period, BiotechCorp conducted a customer satisfaction survey for all 42 BioNexus companies approved in 2007. The survey, which recorded a 64% participation rate, measured customer satisfaction across BiotechCorp's competencies as the industry one-stop centre in the following areas:

- Advisory & Facilitation
- Grant
- Monitoring & Compliance
- Contact Centre Services
- Account Manager Services
- Immigration Facilitation
- Product Registration
- IP Advisory Services
- Human Resources
- Business Matching

The client satisfaction survey indicated a high degree of collaboration between BiotechCorp and BioNexus companies

in building the biotechnology business. BiotechCorp's one-stop services were rated very positively - with over 43% of respondents returning a ranking of highly satisfied and over 47% returning a ranking of mostly satisfied.

Commercialising the Science of Biotechnology

Without doubt, it is the science of biotechnology that will find the solutions and remedies to the escalation of challenges affecting all of us today - challenges of maintaining food supply, managing evolving diseases and mitigating against climate change.

In this respect, the solution is to hasten science to market, to turn around discoveries and findings into products, services and solutions. Biotechnology is not a natural candidate for organic free market growth. The route between discovery to cashflow is a long one, needing close public funding and investor support as much as linkages and network between public institutions and private businesses.

To leverage on the capabilities and infrastructure of existing public institutions, BiotechCorp is finalising the BioNexus Partner Programme. The programme is intended to link BioNexus companies to major public universities and research institutes to promote greater collaborations and access to technology infrastructure and facilities.

During the period under review, BiotechCorp completed a significant technology acquisition to escalate commercialisation. BiotechCorp acquired the exclusive worldwide license for a nanotechnology platform (non-oncology) from Nanobiotix, S.A. of France. The nanotechnology platform acquired will enable at least 14 applications in healthcare, five in environment and agriculture, and four in food and cosmetology.



As part of the due diligence for the acquisition, 100% of participating local scientists and researchers felt that the nanotechnology platform acquired by BiotechCorp will make a very significant contribution to Malaysia's R&D capabilities, 78% would like the technology to be placed within their organisation and 71% rated the technology platform acquired by BiotechCorp as very significant and very interesting.

To ensure that BiotechCorp continued to have a leading edge in commercialisation, a Technology Foresight Study was initiated during the period under review to identify significant emerging technologies up to the year 2020. The target was also set to acquire two platform technologies in healthcare, and one each in agricultural and industrial biotechnology by 2010.

Providing a Conducive Environment

During the period under review BiotechCorp implemented significant initiatives to reinforce the legal and regulatory environment as well as to enhance human capital development in biotechnology.

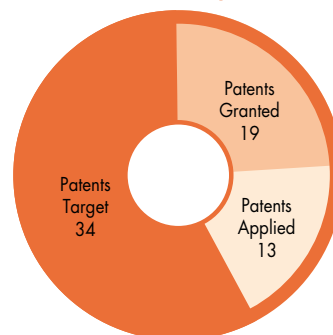
These initiatives included the first IP certification programme and international benchmarking study, as well as the patent examiner outsourcing and international exchange programmes.

The certification programme provided comprehensive training in IP rights and laws, IP portfolio management and most importantly, the commercialisation of IP. By the end of the review period, the programme is on track to develop 45 certified IP managers in 2008, and 135 by 2010. Meanwhile, the international benchmarking study evaluated the Malaysian IP framework against international best practices with a view of adopting and implementing international standards.

In patent management, the patent examiner outsourcing programme not only improved the expertise of patent examiners via exposure to advanced jurisdictions but also resulted in clearing more than 20 biotechnology related patent backlogs by the end of the review period. Under the international exchange patent examiner programme, BiotechCorp worked with the Malaysian Intellectual Property Office (MyIPO) to conclude agreements with European and Korean patent offices to train Malaysian patent examiners.

At the end of the review period, BioNexus companies are targeting to apply for 34 patents, in addition to 19 patents granted and 13 patents applied.

Number of Patents, BioNexus Companies



Meanwhile, in human capital development, BiotechCorp implemented programmes comprising entrepreneurship training and mentoring. During the period under review, BiotechCorp established a five-year partnership with the California Institute for Quantitative Biomedical Research to collaborate in research, human capital and bio-entrepreneurship development. Under this partnership, a Global Bio Entrepreneurship course was conducted by leading biotechnology experts from around the world for 20 Malaysian senior talents comprising researchers, entrepreneurs and investors.

The first Executive-in-Residence, who is an acknowledged biotechnology expert was appointed to mentor BioNexus companies.

BiotechCorp also organised the Biotechnology Entrepreneurship Special Training programme - an intensive training combining classroom instruction, laboratory work and industry internship. By the end of the period under review, 25% of graduates obtained employment whilst 75% obtained placement with BioNexus companies, multinational companies, local companies and research institutes.

The successful management and continuation of these programmes are expected to make a significant contribution in expanding the pool of knowledge workers for the biotechnology industry.

Starting Tomorrow, Today

Within the context of strong growth in the global biotechnology sector, it is critical for Malaysia to move from being good to great in biotechnology.

During the period under review, BiotechCorp's objective was to lead the industry in bringing forward tomorrow's results, today. There are ambitious targets set as key indicators for the Malaysian biotechnology industry up to 2020. The way forward is to strengthen value creation in biotechnology through collaborations that result in outstanding achievements.

I would like to thank Chairman YBhg Tan Sri Datuk Dr Zaharudin Idrus, Members of the Board, the Senior Management team and all BiotechCorp's staff for their continuing contribution in delivering evidence-based results. We need to forge even stronger collaborations towards a sustainable growth and progress of biotechnology in Malaysia.



Corporate Information



- **Registered Office Address:**
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Malaysia
- **Principal Banker**
Malayan Banking Berhad
Level 1.01, Ampang Park
Shopping Complex
Jalan Ampang
50450 Kuala Lumpur
Malaysia
- **Tax Consultant**
Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
- **Principal Place of Business**
Level 23, Menara Naluri
161 Jalan Ampang
50450 Kuala Lumpur
Malaysia
- **Auditor**
KPMG Desa Megat & Co.
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Malaysia





Board of Directors

1. YBhg Tan Sri Datuk Dr Ahmad Zaharudin Idrus, Chairman



YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus, aged 63, was appointed by the Prime Minister of Malaysia as Chairman of BiotechCorp on 16 May 2005. Prior to his appointment to the Board, YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus served as the Science Advisor to the Prime Minister of Malaysia from 2001 to 2006. He was the Vice Chancellor of the University of Technology Malaysia from 1994 to 2001.

Besides serving as Chairman of BiotechCorp and several other organisations, YBhg Tan Sri is also a member of the IDB Advisory Panel on Science and Technology, Islamic Development Bank, Jeddah, Saudi Arabia.

After graduating with an Agriculture Science degree from the University of Malaya in 1969, he proceeded to complete his Masters and PhD from the University of Aberdeen.

YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus has been highly instrumental in the development of the Malaysian science and technology agenda. He served as Secretary of the National Council of Scientific Research and Development under the Ministry of Science, Technology and the Environment from 1981 to 1986. He was subsequently appointed as the Controller of the Standards and Industrial Research Institute of Malaysia (SIRIM), a position he held from 1986 to 1989.

Prior to his term at the University, YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus served as the Director of Petronas Petroleum Research Institute from 1989 to 1992 and later as the Managing Director of Petronas Scientific Services from 1992 to 1994. YBhg Tan Sri was also a member of the Board of Petronas Refineries Pte. Ltd from 1989 to 1994.

His contributions in the field of science and technology have gained him international recognition. In 1993, he received the Norway Award for Outstanding Contribution in the Field of Technology and in 1997, the ASEAN Achievement Award for Science.

YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus was conferred the D.Sc (Hons. Causa) by the University of Portsmouth in 1998. Subsequently, the D.Sc (Honorary) by the University of Loughborough, the National University College Technical, Malacca in 2003, the University of Technology Malaysia in 2005 and the Open University of Malaysia in 2006.

In honour of his contributions, YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus was conferred the award of "Chevalier de la Legion d'Honneur" by the French Government in 2004.

2. YBhg Dato' Iskandar Mizal bin Mahmood, Chief Executive Officer



YBhg Dato' Iskandar Mizal bin Mahmood, aged 41, was appointed to the Board on 13 May 2005. Prior to his appointment to BiotechCorp, he was the Chief Executive Officer of the Malaysian Technology Development Corporation (MTDC), a position he held since October 2003.

From 1999 to 2003, he was the General Manager of Malaysia Airports Berhad responsible for corporate finance, strategic planning, investor relations business development and finance. He started his career with Arthur Andersen & Co in 1989 and had served in several financial institutions including Bumiputera International Merchant Bankers Berhad and Commerce International Merchant Bankers Berhad Group.

A graduate from Boston University, Massachusetts with a Bachelor of Science degree in Business Administration (Accountancy), YBhg Dato' Iskandar brings to BiotechCorp his expertise in investment, strategic planning, finance, corporate financing and research.



3. YBhg Tan Sri Datuk Dr Haji Mohamed Ismail Merican



YBhg Tan Sri Datuk Dr Haji Mohamed Ismail bin Merican, aged 59, joined the Board on 1 January 2006.

He is also the Director-General of Health of Malaysia, President of the Malaysian Medical Council, a member of the Promotion Board of the Malaysian Civil Service and a Senior Consultant Physician and Consultant Hepatologist and Head of Hepatology Unit, Hospital Selayang.

Apart from BiotechCorp, YBhg Tan Sri Datuk Dr Haji Mohamed Ismail is also a member of the Board of Directors of the National Heart Institute and a Member of the National Institute of Natural Products, Vaccines & Biologicals (NBIO). He also holds several appointments with the Ministry of Health such as Chairman of the Standing Committee for Research, Chairman of the National Committee for Clinical Research, Chairman

of Drug Control Authority, Chairman of National Poisons Board, Chairman of Medicine Advertisement Board and Chairman of Pharmacy Board.

A graduate in Bachelor of Medicine and Surgery (MBBS) from University of Malaya in 1975, YBhg Tan Sri Datuk Dr Haji Mohamed Ismail attained various fellowships from various medical professional organisations worldwide such as the Royal College of Physicians of London, the Royal College of Physicians of Edinburgh, the Royal College of Physicians of Glasgow, the Academy of Sciences, Malaysia as well as the Academy of Medicine of Malaysia.

He is also an Honorary Fellow of the American College of Physicians-American Society of Internal Medicine, the Royal Australasian College of Physicians, the Academy of Family Physicians of Malaysia and the Royal College of Surgeons of Ireland.

4. YBhg Dato' Puteh Rukiah binti Abd. Majid



YBhg Dato' Puteh Rukiah binti Abd. Majid, aged 55 joined the Board on 27 November 2006. She holds a Bachelor of Economics (Hons) from University of Malaya and Master of Art in Economics from Western Michigan University, USA.

She began her career in 1976 as an Assistant Director, Economic Planning Unit (EPU) of the Prime Minister's Department before serving as Chief Assistant Director of the Implementation Coordination Unit of the Prime Minister's Department in 1986.

YBhg Dato' Puteh Rukiah binti Abd. Majid continued to serve the Government of Malaysia and held various senior positions in the various ministries in the Government. In 1990, she was appointed the Chief Assistant Director of EPU. She was subsequently promoted as the Budget Senior Assistant Director of the Ministry of Finance in 1992. In year 2000, in recognition of her capabilities and vast experience, she was

appointed as the Deputy Secretary of MOF (Inc) Companies, Privatisation and Public Enterprises Division, Ministry of Finance.

In 2004, she was again promoted to the position of Under Secretary of MOF (Inc) Companies, Privatisation and Public Enterprises Division.

YBhg Dato' Puteh Rukiah binti Abd. Majid is currently the Deputy Secretary General (Systems & Controls), Ministry of Finance. She took up the position in September 2006.



5. YBhg Dato' Abdul Hanan bin Alang Endut



YBhg Dato' Abdul Hanan bin Alang Endut, aged 55 has been the Secretary General of the Ministry of Science, Technology and Innovation (MOSTI) since 15 May 2006. He joined the Board on 4 August 2006.

He received his first degree in Economics from University of Malaya and subsequently he obtained his MBA from Syracuse University in 1985. YBhg Dato' Abdul Hanan bin Alang Endut attended the Advance Management Program in Harvard (AMP 166) in 2004.

He has served the Government of Malaysia since 1974 and his first assignment was with the Ministry of Finance, Malaysia. Prior to taking up his position as Secretary General of MOSTI, he served in various Government agencies such as the Ministry of Finance, Ministry of Primary Industries, Ministry of International Trade and Industry, Ministry of Information, various state governments and the National Institute of Public Administration.

YBhg Dato' Abdul Hanan bin Alang Endut has vast experience in the administration of corporate bodies in his capacity as a member of the Board of Directors of several Government Link Corporations.

As the Secretary General of MOSTI, he is very much involved in the administration of MOSTI and directly in charge of the development of science, technology and innovation in Malaysia. The drafting and formation of new policies with respect to innovation is one of his main priorities. The implementation and progress of related policies which is already endorsed by the Government of Malaysia, such as the National Biotechnology Policy and National Science and Technology Policy are also within his purview.

6. YBhg Dato' Sofian bin Mohd Salleh



YBhg Dato' Sofian bin Mohd Salleh, aged 56, was appointed to the Board on 1 January 2006.

He holds a Bachelor of Agriculture Science degree from an Australian university, a Master of Science degree from Wisconsin, USA and a Post Graduate Certificate from Edinburgh University in the United Kingdom.

Besides BiotechCorp, YBhg Dato' Sofian bin Mohd Salleh also sat on the board of various bodies including the Federal Agricultural Marketing Authority (FAMA), the Malaysian Agricultural Research & Development Institute (MARDI), the National Tobacco Board and the Farmers Organisation Authority. He was also the Chairman of the Pesticides Board and the Pesticides Consultative Body.

YBhg Dato' Sofian bin Mohd Salleh retired as the Director-General of Agriculture, Ministry of Agriculture and Agro-based Industry, Malaysia on 15 January 2008. Despite his retirement, he continues to contribute his invaluable experience and expertise in the area of agriculture to the Board. His vast experience in this field (both at the national and international levels) will no doubt greatly boost BiotechCorp's effort in commercializing and adopting agricultural biotechnology, especially through his chairmanship of the Cluster Working Group on agricultural biotechnology.



7. Puan Zaiton Jamaluddin



Puan Zaiton binti Jamaluddin, aged 48, has been a member of the Board since 1 January 2006.

She received her Bachelor of Pharmacy from the Western Australia Institute of Technology in 1982. She obtained the Diploma of Management from the Malaysian Institute of Management in 1989 and later obtained a Masters in Business Administration from Keele University in 2000.

Puan Zaiton binti Jamaluddin is currently the Principal Consultant/Managing Director of ZJ Consultancy Sdn Bhd.

Prior to setting up the above consultancy business, she was actively involved in the health and pharmaceutical industry for 24 years.

She joined Novo Industry A/S, South East Asia Regional Office in 1985 as an Assistant Medical Information Manager. She continued to serve with the Novo Group and was promoted to various positions within the organisation. In recognition of her strength and capabilities, she was promoted to the position of Country Manager of Novo Nordisk A/S in 1993, a position she continued to hold until 1997.

When Novo Nordisk Pharma (M) Sdn Bhd was set up, Puan Zaiton binti Jamaluddin was duly appointed as the General Manager in 1997. She remained with the said organisation until 2007. She was also the President of the Pharmaceutical Association of Malaysia (PhAMA) from March 2005 until December 2007.

8. Cik Nelleita binti Omar, Director



Cik Nelleita binti Omar, aged 32, joined the Board on 1 January 2006. Cik Nelleita holds a Bachelors degree in Economics and a Masters degree in Development Studies, both from the London School of Economics.

Cik Nelleita binti Omar was appointed as a Special Officer to the Prime Minister of Malaysia in 2003. She is responsible for monitoring the Prime Minister's agenda in various policy areas including biotechnology industry development, the Northern Corridor and many others.

Prior to joining the Prime Minister's Office (PMO), Cik Nelleita binti Omar was an accomplished consultant with Boston Consulting Group, a renowned global management consulting firm and the world's leading advisor on business strategy.



9. Mr David Ho Sue San



Mr David Ho Sue San, aged 58, joined the Board on 9 January 2006.

Mr David Ho Sue San is currently the Managing Director of both Hovid Berhad and Carotech Berhad which are listed on the main Board and Mesdaq market of Bursa Malaysia respectively. Hovid Berhad is a pharmaceutical manufacturing company exporting to more than 50 countries. Carotech Berhad, a subsidiary of Hovid Berhad, is involved in the extraction of phytonutrients and biodiesel from crude palm oil.

He holds a Master of Pharmacy degree from the University of Otago, New Zealand. He is a registered pharmacist with the Pharmaceutical Society of New Zealand, pharmaceutical chemist with the Pharmaceutical Society of Great Britain and a pharmacist with the Malaysian Pharmacist Board.

He is also a Director of Bio-Fertilizer Sdn Bhd, a BioNexus status company, involved in the cultivation of bacteria and microbes to enhance plant growth and reduce fertiliser usage.

10. Professor Dr Mary Jane Cardoso



Professor Dr Mary Jane Cardoso, aged 56 was appointed to the Board on 16 January 2006.

She obtained her undergraduate degree from the prestigious Princeton University in the USA in 1974 and her Masters degree from Columbia University in 1975. After taking a three-year sabbatical to raise her son, she continued her postgraduate training at the Sir William Dunn School of Pathology in Oxford University, under Dr James Porterfield from 1980 to 1984.

She received her postdoctoral training on a Rockefeller grant at the Research Institute of the Scripps Clinic in 1985. She then returned to Malaysia to take up the post of lecturer at the School of Medical Sciences at the University of Science Malaysia.

Professor Dr Mary Jane Cardoso is a very much respected virologist. She has been very involved in the research on dengue hemorrhagic fever and had obtained funding from both the Wellcome Trust and the International Development Research Centre. She is currently the founding director of the Institute of Health and Community Medicine of the University of Sarawak Malaysia.

Professor Dr Mary Jane Cardoso is also a member of the Scientific Board of the Bill and Melinda Gates Foundation's "Grand Challenges for Global Health" and several WHO and TDR steering and scientific committees. She has also served as a member of the Board of Councillors since the initiation of the Pediatrics Dengue Vaccine Institute Initiative, a Gates funded project of the International Vaccine Institute.

Her passion is the development and equitable delivery of useful diagnostics and vaccines for important viruses of the developing world.





Organisational Structure





Senior Management Team



From left: Dr Brian John O'Keefe, YM Raja Ridzwa bin Raja Abdul Aziz, Dr Wan Abdul Rahaman bin Wan Yaacob, YBhg Dato' Iskandar Mizal bin Mahmood, Encik Izhar Hifnei bin Ismail and Encik Mohamad Azam bin Ali

1. YBhg Dato' Iskandar Mizal bin Mahmood	Chief Executive Officer
2. YM Raja Ridzwa bin Raja Abdul Aziz	Senior Vice President, Corporate Services Division
3. Dr Brian John O'Keefe	Senior Vice President, Industry Development Division (Healthcare)
4. Dr Wan Abdul Rahaman bin Wan Yaacob	Senior Vice President, Industry Development Division (Agricultural/Industrial)
5. Encik Izhar Hifnei bin Ismail	Senior Vice President, Client Support Services Division
6. Encik Mohamad Azam bin Ali	Senior Vice President, Corporate Affairs Division
7. Professor Norazmi bin Mohd Nor (Absent)	Senior Vice President, Strategy & Planning Division





Biotechnology Begins





Corporate History

Thrust Nine of the National Biotechnology Policy calls for the establishment of a dedicated agency to manage the development of the biotechnology industry. Thus, BiotechCorp was established on 13 May 2005 to ensure that the Government's biotechnology objectives and strategies are fully deployed.

BiotechCorp is entrusted to identify good value propositions in both R&D and commercialisation, as well as to nurture biotechnology ventures via financial support and developmental services. It operates under the guidance of a sub-cabinet committee namely the Biotechnology Implementation Council (BIC). At the same time, the Biotechnology International Advisory Panel (IAP) provides global perspectives

and advices to BiotechCorp. Both BIC and IAP are chaired by the Prime Minister of Malaysia. BiotechCorp also functions under the purview of the Ministry of Science, Technology and Innovation (MOSTI) for R&D and regulatory development. BiotechCorp's

shareholders are Ministry of Finance Incorporated and Khazanah Nasional Berhad. In addition, BiotechCorp also works closely with six Cluster Working Group (CWG) Committees formalised by the Government that touches the areas of:



**Agricultural
Biotechnology**



**Legislative and
Regulatory Framework**



**Healthcare
Biotechnology**



**Human Capital
Development**



**Industrial
Biotechnology**



**Funding
Support**





BiotechCorp also acts as a one-stop centre providing support, facilitation and advisory services for biotechnology and life sciences companies internationally and in Malaysia. BiotechCorp offers the following services:

Providing the first point of contact for all clients dealing with enquiries related to BiotechCorp and the BioNexus status



Processing and evaluating BioNexus status and tax incentive applications



Facilitating services for immigration as well as employment related matters



Overseeing the development of human capital for BioNexus status companies



Processing and evaluating applications for the Biotechnology Commercialisation Grants



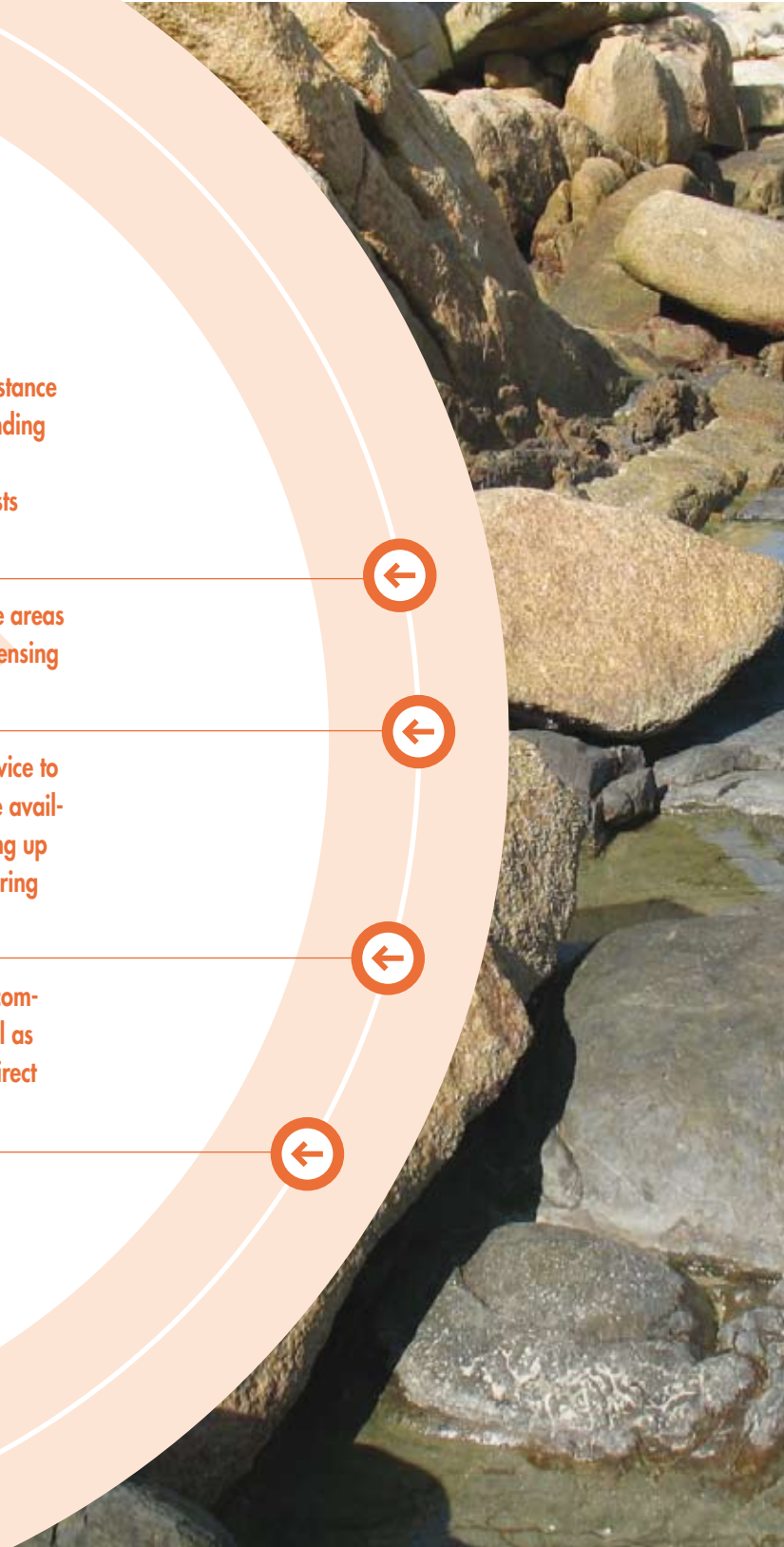


Providing advice and assistance for companies seeking funding options from Government agencies, venture capitalists and financial institutions

Providing assistance in the areas of product registration/licensing and clinical trials

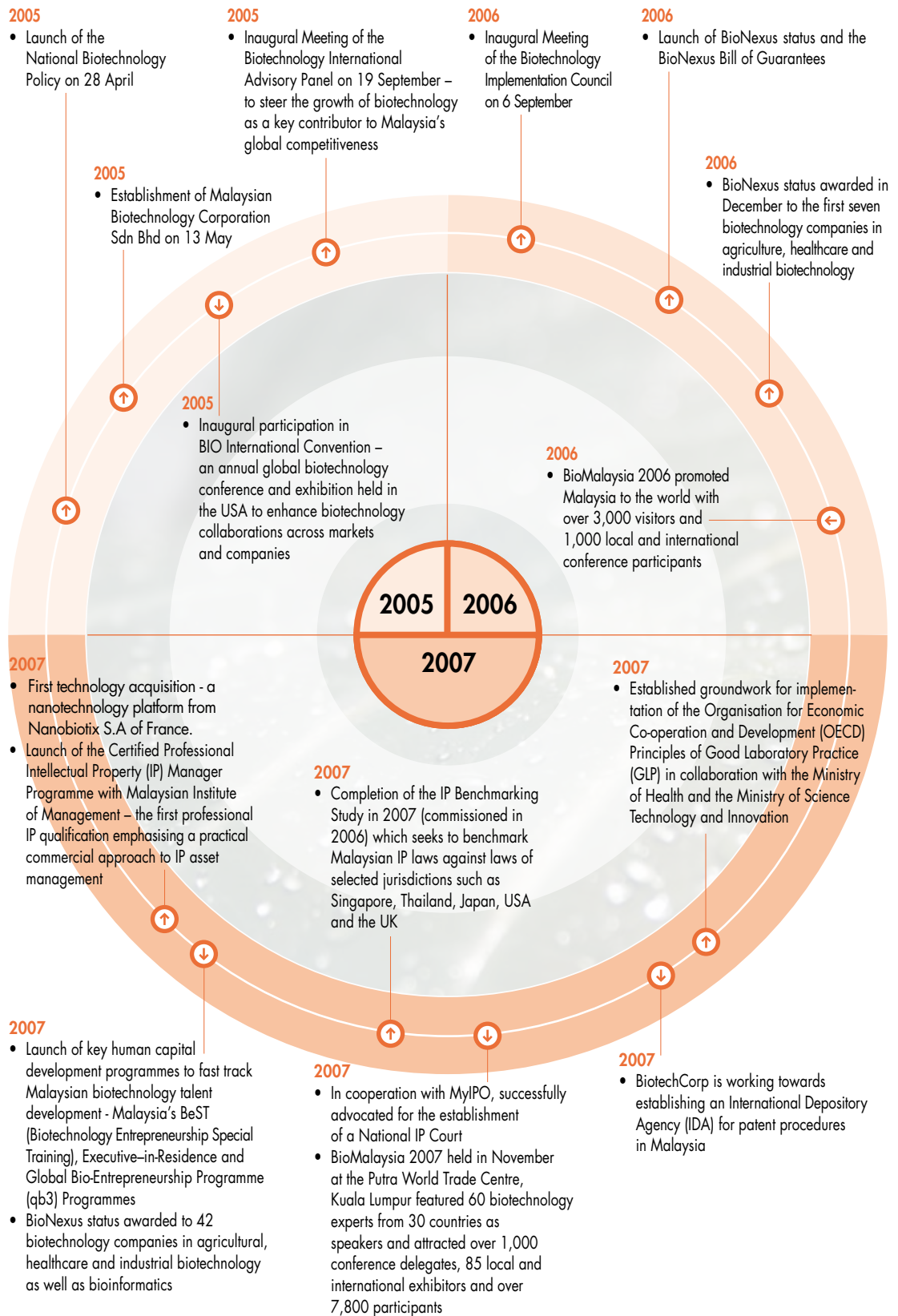
Providing support and advice to companies on office space availability, land area for setting up laboratories or manufacturing facilities

Nurturing biotechnology companies in Malaysia as well as promoting international direct investments





Calendar of Events





Building The Biotechnology Business

During the period under review, BiotechCorp continued to strengthen its capacity building efforts whilst intensifying initiatives for commercialisation across the three sectors of agricultural, healthcare and industrial biotechnology. BiotechCorp recorded robust results in structuring projects and projects realised.

Agricultural Biotechnology

BiotechCorp nurtured 18 international and local companies under the agricultural sector of which 10 were projects realised.

These include:

- Crop
- Livestock
- Marine & Aquaculture
- Natural Products

In agricultural biotechnology, BiotechCorp also implemented the following initiatives:

- Promoted new growth areas in crop production with the application of biotechnology tools.
- Identified priority projects in artificial insemination and embryo transfer for livestock.
- Promoted Malaysia as a Halal Hub to capitalise on the Government's initiatives and branding mechanisms.
- Created new agricultural biotechnology FDI initiatives through international networking.

Healthcare Biotechnology

BiotechCorp nurtured 47 international and local companies under the healthcare sector of which 10 were projects realised.

These include:

- Contract Research Organisation (CRO)
- Contract Manufacturing Organisation (CMO)
- Drug Delivery and Discovery
- Medical Devices and Diagnostics
- Vaccines
- Therapeutics
- Genomics
- Stem-cell Therapy

In healthcare biotechnology, BiotechCorp also implemented the following initiatives:

- Leveraged on Malaysia's capability in manufacturing and electronic industries to develop the medical devices business.
- Capitalised on Malaysia's biodiversity for natural products development.
- Continued to position Malaysia's value proposition and incentives internationally.
- Facilitated sourcing of funds for BioNexus companies by strengthening relationship with various venture capitalist and institutional investors.
- Acquired nanotechnology platform to be made available to the research community as a means of driving local research.
- Continuous search and initiatives to identify valuable technology platform and convergence technologies that would add value to R&D and commercialisation efforts in Malaysia.
- Built partnerships with established biotechnology clusters in Japan, India,

Europe and the US to develop a global reach with international biotechnology companies and to create opportunities for technology acquisition and transfer.

Industrial Biotechnology

BiotechCorp nurtured 24 international and local companies under the industrial sector of which 9 were projects realised.

These include:

- Biofuel
- Biopolymer
- Enzyme
- Bioremediation
- Bioprocessing for Fine & Specialty Chemicals

In industrial biotechnology, BiotechCorp also implemented the following initiatives:

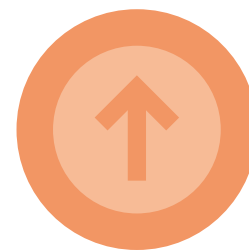
- Facilitated the setting up of international industrial biotechnology companies in Malaysia.
- Encouraged domestic direct investment by identifying potential projects and realising their commercialisation prospects.
- Developed biofuel projects with local and international partners.
- Nurtured BioNexus companies by assisting them to achieve their technical milestones.
- Developed rural development programmes by value-adding crop production into various industrial biotechnology activities.
- Identified new growth areas utilising algae as a new source of energy.
- Identified platform technology acquisition for example the Super Fluid Extraction system as a critical bio-processing mechanism to revolutionise the natural product sector.



Overview of

Achievements





Measuring Progress

Measuring the progress of the Malaysian biotechnology sector for the period under review ensured BiotechCorp met its target, kept pace with global development and remained attractive as a biotechnology investment destination.

Targets achieved by BiotechCorp up to 2007, in line with the National Biotechnology Policy

Strengthening Collaborations in Agricultural, Healthcare and Industrial Biotechnology	
Agricultural	➔ 10 biotechnology projects realised ➔ 18 collaborations – 9 international, 9 local
Healthcare	➔ 10 biotechnology projects realised ➔ 47 collaborations – 32 international, 5 local
Industrial	➔ 9 biotechnology projects realised ➔ 24 collaborations – 15 international, 9 Local
Attracting Investment Capital	
Approved	RM 1.0 billion
People and Skills	
Local Programmes	<ul style="list-style-type: none"> a) Biotechnology Human Resource Development Programme <ul style="list-style-type: none"> ➔ Biotechnology Entrepreneurship Special Training (BeST) Programme b) Biotechnology Entrepreneurship Programme <ul style="list-style-type: none"> ➔ Entrepreneur Workshops ➔ International Conferences and Dialogue ➔ Mentoring Programme
International Programme	➔ Global Bio-Entrepreneurship Programme
People Trained	500 entrepreneurs by 2007
Legal and Regulatory Expertise	
Local Programmes	<ul style="list-style-type: none"> ➔ IP Manager Certification Programme ➔ International IP Benchmarking Study ➔ Initiate the Establishment of an International Depository Authority for patent procedure ➔ Conferences and workshops on IP, Biosafety, Pharmaceuticals and International Accreditations ➔ Advocacy of balanced regulations for Biosafety
International Programmes	<ul style="list-style-type: none"> ➔ Patent Examiner International Exchange Programme ➔ Patent Examination Outsourcing Programme ➔ Preparation for the establishment of the Organisation for Economic Co-operation and Development Principles on Good Laboratory Practice
People Trained	<ul style="list-style-type: none"> ➔ 15 Certified IP Managers ➔ 42 Good Clinical Practice Investigators ➔ 12 Patent Examiners in leading IP jurisdictions
Platform Technologies	
Acquired	➔ Nanotechnology Platform from Nanobiotix, S.A. of France
Target	➔ 1 agricultural platform technology, 1 healthcare platform technology, 1 industrial platform technology by 2011
Promoting Malaysia	
In-Country	➔ BioMalaysia 2007 – over 7,800 international and local participants
Internationally	➔ BIO International Convention (USA) – Philadelphia in 2005, Chicago in 2006, Boston in 2007





List of BioNexus Companies as at 31/12/07

NO.	COMPANY NAME	WEBSITE
1	Asiatic Centre for Genome Technology Sdn Bhd	www.asiatic.com.my
2	ar-Raudhah Bio Tech Farm Sdn Bhd	www.arraudhahbiotech.com
3	Asia-Pacific Special Nutrients Sdn Bhd	-
4	Asma Agro Sdn Bhd	-
5	Autoimmune Sdn Bhd	www.autoimmune.com.my
6	Bio Molecular Industries Sdn Bhd	-
7	BioFact Life Sdn. Bhd	www.biofactlife.com
8	Bio-Fertilisers Sdn Bhd	www.hovid.com
9	BioSmart Sdn Bhd	www.biosmart.com.my
10	Biovic Sdn Bhd	www.biovic.com.my
11	Borneo Plant Technology Sdn Bhd	www.borneo-plant-technology.com
12	CellSafe International Sdn Bhd	www.cellsafegroup.com
13	Chakra Biotech Sdn Bhd	www.chakrabiotech.com
14	DNA Laboratories Sdn Bhd	www.dna-laboratories.com.my
15	First Base Laboratories Sdn Bhd	www.base-asia.com
16	Generti Biosystems Sdn Bhd	www.infovalley.net.my
17	Genetic Improvement and Farm Technologies Sdn Bhd	www.giftpharma.com
18	Granulab (M) Sdn Bhd	www.granulab.com
19	Healol Melaka Biotech Sdn Bhd	www.healol.com
20	Holista Biotech Sdn Bhd	www.holistabio.com
21	Hopematic Sdn Bhd	www.inbioscience.com
22	Inno Biologics Sdn Bhd	www.innobiologics.com
23	InQpharm Asia Sdn Bhd	www.inqpharm.com
24	IPT Kosmo Biotechnology Sdn Bhd	www.iptkosmo.com
25	KL Biotech Manufacturing Sdn Bhd	www.klbiotech.com
26	Malaysian Agri Hi-Tech Sdn Bhd	www.myagrigrp.com
27	Malaysian Bio-Diagnostics Research Sdn Bhd	www.mbdr.net
28	Malaysian Genomics Resource Centre Sdn Bhd	www.mgrc.com.my
29	Nova Laboratories Sdn Bhd	www.nova.com.my
30	Olipro Biotechnology Sdn Bhd	-
31	Orchid Life Sdn Bhd	-
32	Power Biotechnologies Sdn Bhd	www.powerbiotechnologies.com.my
33	Profound Vaccine Sdn. Bhd.	www.lifesciencesacademy.com/profoundvaccine
34	PureCircle Sdn Bhd	www.purecircle.com
35	Stemlife Berhad	www.stemlife.com
36	Stempeutics Research Malaysia Sdn Bhd	www.stempuetics.com
37	Success Nexus Sdn Bhd	www.successbioview.com
38	Sunzen LifeSciences Sdn Bhd	www.sunzen.com.my
39	Suvarna Rekha Marines (M) Sdn Bhd	-
40	TMC Biotech Sdn Bhd	www.damansara.fertility.com
41	TSH Biotech Sdn Bhd	www.tsh.com.my
42	Vivantis Technologies Sdn Bhd	www.vivantis.vom



Investment Capital And Funding

Funding

The Malaysian Government remained the largest source of funding for the biotechnology industry. Whilst Malaysia's growing biotechnology industry continued to attract investors, access to capital remained critical in developing biotechnology as a key contributor to the Malaysian economy.

To further boost the biotechnology industry, the Minister of Finance had on 12 November 2007, approved a package of tax incentives for biotechnology ventures. Key incentives available for qualified biotechnology companies with BioNexus status included a 100% tax exemption commencing from the first year the company generated profit, a five-year Investment Tax Allowance, double deductions on expenditure on R&D and promotion of exports.



These incentives were further strengthened with a set of corporate privileges granted under the Bill of Guarantees, including freedom of ownership, unrestricted employment of knowledge workers, freedom to source funds globally and further eligibility for competitive incentives and development programmes, grants and other assistance.



As at 31 December 2007, 42 companies obtained the BioNexus status whilst four grant applications totalling RM6.25 million were approved.

Biotechnology Expenditure and Allocation 8MP vs 9MP (RM mil)

Programme	8MP Expenditure	9MP Allocation
Research and Development (R&D)	190	463
Biotechnology Acquisition Programme	-	100
Biotechnology Business Development	216.8	529.8
Biotechnology Infrastructure	167.6	928.5
Total	574.4	2021.3

Source: Economic Planning Unit

Private Sector and International Funding

The role of the Malaysian capital market and private sector participation as a key funding source for the biotechnology industry needs to develop further.

In 2006, total committed Venture Capital (VC) Funds under management amounted to RM3.31 billion, with Government agencies providing RM1.36 billion or 40.7% of total VC funds. In 2007, there were no biotechnology Initial Public Offerings (IPOs) and capital market based financial instruments were few and far between.



However, the biotechnology and life sciences sectors remain the second most favoured sector after ICT in attracting VC investment. These sectors accounted for 29.7% of the RM169.0 million total investments in 2006, compared to 21.1% in 2005.



Upcoming funding sources which should be tapped included international and local private corporations and angel investors.

Improving Access to Capital

A substantial investment is required to develop a marketable biotechnology product. In ensuring adequate capital to meet the different stages of operational requirements, the implementation structure and mechanism for the allocation of grants have been formulated under the 9MP.

BiotechCorp continued to facilitate access to the Biotechnology Commercialisation Grant.

Moving forward, emphasis will be given to further increase private sector investment and funding, internationally and locally, whilst maintaining Government funding as an important source for development. Initiatives to promote private sector investment and funding include amongst others, introduction of additional incentives, establishing funding benchmarks and promoting BioNexus companies to investors.





Human Capital Development

Mentoring Programmes

BiotechCorp launched a mentoring programme during the period under review to train entrepreneurs in managing new business ventures in the biotech industry for the next five years. A panel of mentors will be appointed to provide BioNexus companies with operational, financial and marketing advisory services to assist them in setting up or expand their operations into BiotechCorp focus areas.

Fifteen mentoring initiatives were established under this programme. During the period under review, three programmes have been successfully implemented.

Global Bio-Entrepreneurship Programme

This programme is the result of a five-year collaboration with the California Institute for Quantitative Biomedical Research (qb3) which began in December 2006. The objective of this programme is to equip Malaysian talents with the latest multi-disciplinary tools to excel in biotechnology entrepreneurship.

BiotechCorp successfully completed a Bio-Entrepreneurship programme in 2007 and is targeting to launch four more Bio-Entrepreneurship programmes over the next three years.

Entrepreneur Development Programme

In preparation for commercialisation by 2011, intensive programmes comprising a combination of practical sessions, expert clinics, mentors' sessions and experienced advice and support from leading entrepreneurs and industry experts, were designed for aspiring entrepreneurs. These programmes aimed to provide participants with the tools, contacts and confidence to transform ideas into successful business ventures.

During the period under review, four such programmes were launched successfully.

Biotechnology Entrepreneurship Special Training Programme

This development programme provided experiential training for entry level positions into the biotechnology industry. The BeST programme initiated by BiotechCorp, is an intensive and structured development programme which combined classroom training, laboratory work and industry internship. The industry internship also provided hosting companies with direct oversight and assessment of participants' capabilities and talent fit for possible employment.

As at 31 December 2007, a total of 206 graduates participated in the programme.





The Legal And Regulatory Framework

BiotechCorp continued to enhance the legal and regulatory framework for the industry. The various initiatives undertaken by BiotechCorp focused on IP and Intellectual Asset Management. These included benchmarking studies, law reviews, advocacy, issues identification and solutions.

The programmes launched included:

- **Certified Programme for Intellectual Property Manager**
Launched in partnership with the Malaysian Institute of Management on 21 November 2007, the Certified Programme for Intellectual Property Manager (CPIPM) provided professional certification for IP practitioners. The programme offered an entrepreneurial approach for the commercialisation of IP. Topics covered include a background of the different IP rights and laws, IP Portfolio Management and Commercialisation of IP.

Fifteen participants from public universities as well as BioNexus companies were certified in 2007.

- **International Benchmarking Study on IP**
Using international best practices, the International Benchmarking Study reviewed practices to improve the Malaysian IP framework.

Findings from the benchmarking study will be presented to the MyIPO.

- **Patent Examiner Outsourcing Programme**

A joint MyIPO-BiotechCorp project, the programme aimed to address the current patent examination backlog and reduced the period taken by MyIPO to grant biotechnology related patents.

A total of four biotechnology patent examiners were deployed to the Australian Patent Office where they were trained by experienced Australian patent examiners.

- **International Exchange Programme for Patent Examiners**

Another joint MyIPO-BiotechCorp initiative, this programme aimed to enhance the proficiency of Malaysian biotechnology patent examiners and to foster closer ties with leading international Intellectual Property Offices.

MyIPO-BiotechCorp secured agreements in 2007 with the European and Korean Patent Offices where each patent office will host four

Malaysian patent examiners for training.

- **Establishment of an International Depository Authority for patent procedure**

Yet another joint MyIPO-BiotechCorp collaboration, the establishment of an IDA will boost the development of Malaysia's biotechnology industry. The IDA will also meet Malaysia's obligations under the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure.

As of 2005, the Treaty comprised signatories from 65 countries. Under the treaty, a person who wished to patent an invention internationally is allowed to deposit the micro-organism at one recognised institution instead of in each country who is party to the Treaty. Thus, the Treaty shortened the time and reduced the expenses for filing patents which will benefit the Malaysian biotechnology sector.





Products And Technologies

Acquisition of new technology platforms

In 2007, BiotechCorp signed a technology transfer and license agreement with Nanobiotix S.A. of France to acquire the exclusive worldwide license for a nanotechnology platform (non-oncology).

BiotechCorp has undertaken comprehensive and independent financial, technology, legal and intellectual property due diligences before finalising the acquisition of the technology. The process also

included a technology assessment with leading Malaysian scientists and researchers.

Nanotechnology is a field of applied science and technology that deals with the control of matter on the atomic and molecular level, which normally ranges from one to 100 nanometres, and the fabrication of devices within that size range. It is a highly multidisciplinary field, involving physics, chemistry and engineering.

The acquired nanotechnology platform will enable 14 applications in healthcare; five in environment and agricultural applications; and four in food and cosmetology applications.

Among the areas of direct applications in healthcare from this platform are cardiovascular therapeutics, eyesight therapeutics, blood clotting agents, wound and burn repair and protein purification. In food and cosmetology, the direct applications will include solar protection and flavour retention capabilities.





Promoting Biotechnology Initiatives

BiotechCorp continued to position Malaysia's as a biotechnology hub locally and internationally.

Key to this effort is Malaysia's continued participation in the BIO International Convention – an annual global biotechnology event held in the United States and the organisation of BioMalaysia held in Kuala Lumpur annually.

BIO International Convention

The BIO International Convention features the largest and most diverse gathering of biotechnology experts and participants from all over the world.

As a result of lead generation and potential collaborations, BiotechCorp, Malaysian biotechnology industry participants, related government ministries and agencies continued to participate in the BIO International Convention - in Philadelphia (2005), Chicago (2006) and Boston (2007).

Continued Malaysian participation in BIO, in addition to targeted discussions

and meetings with leading biotechnology organizations such as Genzyme, Merck, Pfizer and Amgen resulted in increasing interest in the Malaysian biotechnology sector. Over 3,000 participants registered interest for potential collaborations at the Malaysia Pavilion at BIO Boston 2007.

BIO Boston 2007 recorded a total attendance of over 20,000 participants from 68 countries, over 2,000 exhibiting companies, over 200 presentations, over 12,000 one-to-one meetings and over 70 executive workshops. BIO San Diego 2008 is expected to surpass BIO Boston's achievements in 2007. Given the profiling since 2005, Malaysia's participation in 2008 will further intensify opportunities to enhance collaborations and the potential for structuring projects.

BioMalaysia

First organized in 2002, BioMalaysia gained significant momentum as the premier biotechnology event in Malaysia and the region in 2006 and

2007. With a total of over 5,000 participants in 2006, BioMalaysia 2007 broke all records with over 7,800 participants – including 60 biotechnology experts from 30 countries speaking at the conference, 1,100 conference participants, 85 international and local exhibitors and 6,555 trade visitors.

On the sidelines of BioMalaysia 2007, significant developments were achieved including the first technology acquisition for a nanotechnology platform and the first certification programme launched for intellectual property management.

- 60 biotechnology experts from 30 countries
- 1,100 conference participants
- 85 international and local exhibitors
- 7,800 participants





Moving Forward





Transforming Science to Business

Attracting Foreign Direct Investment

BiotechCorp continued to encourage private sector investments as well as to tap funds internationally for the Malaysian biotechnology industry.

During the period under review, BiotechCorp formulated initiatives to promote the creation of new biotechnology funds with possible cooperation from multinational companies and Middle Eastern funds. BiotechCorp facilitated a standard performance benchmark for funding purposes to compare the performance of local biotechnology companies in line with international standards. BiotechCorp also aimed for the establishment of a separate sector classification for biotechnology companies listed on Bursa Malaysia. The formation of biotechnology indices can be utilised to attract international fund managers and institutional investors.

Increasing Number of Knowledge Workers

Developing and expanding the pool of knowledge workers are critical to sustain the survival and success of the biotechnology industry.

In that respect, BiotechCorp has established a comprehensive human resource strategy in sourcing international talents, building stronger relationships with the academic and

research communities, developing personnel in regulatory and IP areas, as well as partnerships with universities and technical colleges.

Development of Biotechnology Expertise

BiotechCorp will intensify efforts with relevant ministries and agencies to identify key areas of specialisation and expertise in collaboration with public universities and research institutes.

Source of investment / funding	Amount (RM mil)
Government agencies	1,594
Venture Capital Companies (VCC)	30
Investment by VCC in the life sciences sector in 2005	91
Investment by VCC in the life sciences sector in 2006	50
Other sources	1,854
Total	3,619
Funding gap between current funds and National Biotechnology Policy (NBP) target for 2010 of RM6.0 billion	2,381
Funding Gap between current funds and NBP target for 2020 of RM30.0 billion	26,381





Potential Technology Platforms for Acquisition

BiotechCorp is currently evaluating several technology platforms for possible acquisition. These include:

- High frequency microwave ablation technology
- Protein micro array-based platform technology
- Ready solutions for specific process development issues in fermentation, cell culture and purification for bio-generic products
- DNA-based immunological drug development technology
- Supercritical Fluid Extraction and Instantaneous Controlled Pressure Drop technologies to assist in the production of standardized and high quality herbs for the natural product sector and
- High Throughput Screening technology to enhance new enzyme discoveries from Malaysia's rich biodiversity

Initiatives Implemented to Identify and Develop New Technology Platforms

These initiatives were:

- **Technology Foresight Study**
The objective of the study is to identify emerging eminent technologies up to the year 2020. During the period under review, the study identified key technology in agricultural biotechnology, industrial biotechnology, natural products, medical devices, bioinformatics including vaccines, diagnostics and drug delivery in healthcare biotechnology.

Findings for the first five technologies which were completed during the period under review were endorsed by a panel of international and local experts.

List of identified technologies

No.	Technology	Status
1	In vitro Diagnostics	Completed
2	Drug Delivery Technologies	Completed
3	Vaccines	Completed
4	Industrial Biotechnology	Completed
5	Agricultural Biotechnology	Completed
6	Bioinformatics	On-going
7	Traditional Medicine	On-going
8	Medical Devices	On-going

- **Triple Helix**
The Triple Helix online submission system and searchable database is an essential tool to match universities and research institutes' R&D initiatives that are ready for commercialisation with companies that are able to market them.

Programme, BiotechCorp will facilitate the use of existing facilities, infrastructure and capabilities within universities, research institutes, Government-linked companies, technology parks and incubators for BioNexus companies.

- **BioNexus Partners Programme**
Under the BioNexus Partners

As at December 2007, 15 universities and 11 research institutes have been invited to participate in this programme.





- **Science & Technology Park and Incubator Workshop**

A Science & Technology Park and Incubator Workshop was organised to benchmark Malaysian science & technology parks incubators against their international counterparts specific to facilities management and meeting the requirements of biotechnology and life sciences companies.

- **Technology Infrastructure International Benchmarking study**

This study was initiated to benchmark Malaysia internationally in the development and management of technology infrastructure.

Good Laboratory Practice

During the period under review, a key development in the implementation of GLP was achieved when BiotechCorp, in conjunction with the

MOSTI and the Ministry of Health (MOH), finalised the arrangements for Malaysia's participation in the OECD's Principles for GLP. A key issue is for Malaysia to be ready for the OECD's Mutual Acceptance of Data Scheme in order to establish a similar framework in Malaysia.

Workshops for regulators and industry participants were held in 2006 and 2007 to prepare for the pending implementation of OECD principle for GLP.

Initiatives in the pipeline include:

- An accelerated programme for companies already positioned to take advantage of the market access opportunities presented by GLP accreditation. This will involve the funding of eligible companies to acquire GLP accreditation ahead of the framework implementation.
- Specialised training for regulators through short courses or attachments

with other established regulatory agencies in advanced jurisdictions.

Commercialisation

Efforts need to be further intensified in the commercialisation of IP.

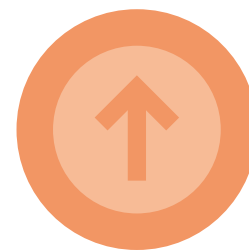
Other initiatives planned to address the issue of commercialisation include:

- Further implementation of recommendations derived from the completed IP Benchmarking Study.
- Continued collaboration with relevant Ministries and agencies to ensure clear identification of issues and coordination of activities for example MyIPO, MOSTI and the Ministry of Higher Education (MOHE).
- Workshops and seminars on commercialisation topics catering specifically to the biotechnology sector.





The Statement on Corporate Governance



The Statement on Corporate Governance

Corporate Governance

Realising the importance of good corporate governance standards, notwithstanding the fact that it is not a listed company, the Board of Directors of BiotechCorp is committed to ensuring that the highest standard of corporate governance is adhered and complied with. Towards this end, the Board is guided by the Principles and Best Practices set out in the Malaysian Code of Corporate Governance (Revised 2007) in discharging the responsibilities and implementation of transparency and corporate accountability.

1. Board of Directors

Composition of Board

The Board of Directors of the Company comprise 10 members made up of the following:

- A non executive member appointed by the Prime Minister of Malaysia to serve as Chairman.
- A Managing Director who will also serve as the Chief Executive Officer.
- At least 5 non-executive members representing the Government of Malaysia.
- At least 2 non-executive members representing the private corporate sector.
- At least 1 non-executive member representing the research and development sector.

Board Meetings

The Board meets at least once in every quarter with additional meetings convened as and when required.

During the financial year ended 31 December 2007, the Company convened a total of four meetings and the respective Director's attendance is as follows:

No.	Name	No. Of Meetings Attended
1	YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus	3
2	YBhg Dato' Iskandar Mizal bin Mahmood	4
3	YBhg Tan Sri Datuk Dr Haji Mohamed Ismail bin Merican	4
4	YBhg Dato' Puteh Rukiah binti Abd Majid	4
5	YBhg Dato' Abdul Hanan bin Alang Endut	3
6	YBhg Dato' Sofian bin Mohd Salleh	1
7	Puan Zaiton binti Jamaluddin	3
8	Cik Nelleita binti Omar	4
9	Mr David Ho Sue San	3
10	Prof Dr Mary Jane Cardoso	3

During the financial year ended 31 December 2006, the Company convened a total of five meetings and the respective Director's attendance is as follows:-

No.	Name	No. Of Meetings Attended
1	YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus	5
2	YBhg Dato' Iskandar Mizal bin Mahmood	5
3	YBhg Tan Sri Datuk Dr Haji Mohamed Ismail bin Merican	3
4	YBhg Dato' Abdul Rahim bin Mokti	3
5	YBhg Dato' Abdul Hanan bin Alang Endut	2
6	YBhg Dato' Sofian bin Mohd Salleh	3
7	Encik Alihan Haji A. Hamid	3
8	Puan Zaiton binti Jamaluddin	4
9	Cik Nelleita binti Omar	5
10	Mr David Ho Sue San	3
11	Prof Dr Mary Jane Cardoso	4





During the financial year ended 31 December 2005, the Company convened a total of three meetings and the respective Director's attendance is as follows:

No.	Name	No. Of Meetings Attended
1	YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus	3
2	YBhg Dato' Iskandar Mizal bin Mahmood	3

Supply of Information

All Directors are provided with reports on major operational, financial and corporate issues prior to the Board Meetings. Agenda and papers on specific subjects are sent to members of the Board in advance to ensure there is sufficient time for the Directors to obtain further explanations where necessary and to facilitate informed decision-making process.

Appointment and Re-election of Directors

In accordance with the Articles of Association of the Company, at every Annual General Meeting (AGM), one-third of the Directors shall retire from office but shall be eligible for re-election. The Articles also provide that Directors appointed during the year by the Board shall hold office until the next following AGM, and shall be eligible for re-election.

Board Committees

The Board has appointed Board committees, which operates within clearly defined terms of reference. Committees of the Board include the following:

(a) Audit Committee (AC)

The AC comprises the following:

- i) Dato' Abdul Hanan bin Alang Endut – Chairman
- ii) Cik Nelleita binti Omar
- iii) Mr David Ho Sue San

The AC met once during the financial year ended 31 December 2006 and once during the financial year ended 31 December 2007. All members attended both the meetings held.

(b) Nomination and Remuneration Committee (NRC)

The NRC comprises the following:

- i) Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus – Chairman
- ii) Tan Sri Datuk Dr Haji Mohamed Ismail bin Merican
- iii) Cik Nelleita binti Omar
- iv) Puan Zaiton binti Jamaluddin

The NRC met twice during the financial year ended 2006 and three times during the financial year ended 2007.

(c) Cluster Working Groups (CWGs)

Main Objective:

The Board of Directors had, on 10 February 2006, resolved for the establishment of CWGs comprising representatives of BiotechCorp and its stakeholders (public and private sectors). Each CWG is headed by a member of the Board, and serves as the forum for BiotechCorp and its stakeholders to discuss issues relating to the implementation of the National Biotechnology Policy. The areas covered include:

- | | |
|-------------------------------------|------------------------------------|
| ➔ CWG on Agricultural Biotechnology | ➔ CWG on Human Capital Development |
| ➔ CWG on Healthcare Biotechnology | ➔ CWG on Funding Support |
| ➔ CWG on Industrial Biotechnology | |



The three main objectives for the establishment of these CWGs include:

- (i) Securing cooperation from all stakeholders and strategic groups towards facilitating and expediting the creation of a conducive environment for the development of the biotechnology industry;
- (ii) Encouraging more private sector involvement and investment in the biotechnology industry; and
- (iii) Leading the implementation of agreed biotechnology initiatives traversing a multitude of Government ministries, agencies, and organisations.

Roles, duties and function of the six CWGs

Every CWG shall conduct meetings with stakeholders and strategic groups relevant to its focus area, and seek for, among others but not limited to, clarification on existing policies, feedback from the industry on policy implementation effectiveness and suggestions for improvements in processes or delivery systems. Apart from the appointed members, the CWG may also invite key Government officials, subject matter experts and industry representatives to provide input at the meetings.

Pursuant to the meetings, every CWG shall be responsible in:

- (i) Formulating action plans to implement ideas proposed by and/or address issues faced by the biotechnology industry;
- (ii) Preparing clear assignment of tasks amongst its members and delivery schedules;
- (iii) Leading the implementation of the action plans; and
- (iv) Monitoring the progress of the implementation and the desired outcome, with the ultimate aim of fulfilling the aspirations of the National Biotechnology Policy.

Only in cases where the implementation of a proposed action plan:

- (i) falls outside the purview of the CWG; or
- (ii) requires policy consensus across a multitude of Government ministries or agencies;

that the CWG may present the action plan to the Board for onward submission to the appropriate authority. In all other cases, the CWG shall be responsible in leading the implementation of the action plan.

All members shall devote reasonable time and effort as considered necessary to discharge their duties. The members shall also act honestly and use reasonable diligence in the course of their duties.

By virtue of the CWG being a committee of the Board, no member of the CWG or any officer, employee or agent of BiotechCorp or any person attending any meeting of the CWG shall disclose any information which has been obtained by him in the course of his duties or in the course of the said meeting and which is not published, except:

- For the purposes of any civil or criminal proceedings under any written law;
- In respect of any information available to the public; or
- Where otherwise authorised by the Board.

In relation to the confidentiality of information, the members must not misuse information obtained in the course of duties to derive personal gains or for any purpose other than that intended by BiotechCorp.



Membership composition of the six CWGs

(i) CWG on Agricultural Biotechnology

Chairperson:	Director General of Agriculture, Ministry of Agriculture and Agro-based Industries	
Members:	1.	Deputy Secretary General (Policy), Ministry of Science, Technology and Innovation
	2.	Deputy Secretary General (Policy), Ministry of Plantation Industries and Commodities
	3.	Deputy Secretary General (Policy), Ministry of Natural Resources and Environment
	4.	Director of Secretary Policy II, Ministry of International Trade
	5.	Director General, Royal Malaysian Customs
	6.	Director General, Malaysian Palm Oil Board
	7.	Director General, Malaysian Agricultural Research & Development Institute
	8.	Deputy Vice Chancellor (Research & Innovation), Universiti Putra Malaysia
	9.	Group Chief Executive, Kumpulan Guthrie Berhad
	10.	Group Chief Executive, Golden Hope Plantations Berhad
	11.	Senior Vice President, Agricultural/ Industrial, Industry Development Division, BiotechCorp

The CWG on Agricultural Biotechnology met twice during the financial year ended 31 December 2006 and six times during the financial year ended 31 December 2007.

(ii) CWG on Healthcare Biotechnology

Chairperson:	Director General of Health, Ministry of Health	
Members:	1.	Deputy Secretary General (Policy), Ministry of Science, Technology and Innovation
	2.	Senior Director (Enforcement) Pharmaceutical Services Division, Ministry of Health
	3.	Head, Clinical Research Centre
	4.	Chief Executive Officer, 9BIO Sdn Bhd
	5.	Director, UKM Medical Biology Institute
	6.	Director, Institute for Research in Molecular Medicine
	7.	Director, Investment of Malaysian Technology Development Corporation
	8.	Managing Director, Pharmaniaga Berhad
	9.	Senior Vice President, Healthcare Industry Development Division, BiotechCorp

The CWG on Healthcare Biotechnology met once during the financial year ended 31 December 2006 and five times during the financial year ended 31 December 2007.



(iii) CWG on Industrial Biotechnology

Chairperson:	Managing Director, Hovid Berhad	
Members:	1.	Deputy Secretary General (Policy), Ministry of Domestic Trade and Consumer Affairs
	2.	Director General, Malaysian Palm Oil Board
	3.	Deputy Secretary General (Policy), Ministry of Plantation Industries and Commodities
	5.	Director General, Malaysian Industrial Development Authority
	6.	Vice President, Research and Technology Division, Petroliaam Nasional Berhad
	7.	Managing Director, Shell Malaysia Trading Sdn Bhd
	8.	President, Malaysian Automotive Association
	9.	General Manager, Vehicle Engineering, Engineering Division Proton Holdings Berhad
	10.	Senior Vice President, Industrial/Agricultural, Industry Development Division, BiotechCorp

Established in 2007, the CWG on Industrial Biotechnology met three times during the financial year ended 31 December 2007.

(iv) CWG on Human Capital Development

Chairperson:	Director, Institute for Health & Community Medicine Universiti Malaysia Sarawak	
Members:	1.	Deputy Secretary General (Development), Ministry of Higher Education
	2.	Director, Human Capital Division, Ministry of Science, Technology and Innovation
	3.	Deputy Secretary General (Policy), Ministry of Human Resource
	4.	Deputy Secretary General (Development), Ministry of Entrepreneur & Co-operative Development
	5.	Principal Research Officer (Technology Forecasting), Research Programme and Technological Development Agensi Nuklear Malaysia (Nuklear Malaysia)
	6.	Chief Executive Officer, Perbadanan Usahawan Nasional Berhad
	7.	Deputy Vice Chancellor (Academic and International), Universiti Putra Malaysia
	8.	Dean, Postgraduate Studies and Research, International Medical University
	9.	Chief Scientific Officer, Malaysian Bio-Diagnostics Research Sdn Bhd
	10.	Director, Idaman Pharma Sdn Bhd
	11.	Senior Vice President, Strategy & Planning Division, BiotechCorp

Established in 2007, the CWG on Human Capital Development met five times during the financial year ended 31 December 2007.



(v) CWG on Funding Support

Chairperson:	Deputy Secretary General (Control), Ministry of Finance	
Members:	1.	Deputy Secretary General (Operation), Ministry of Science, Technology and Innovation
	2.	Secretary, Tax Analysis Division, Ministry of Finance
	3.	Assistant Governor, Bank Negara Malaysia
	4.	Executive Director, Chairman's Office, Securities Commission
	5.	Chairman, Malaysian Investment Banking Association
	6.	Chairman, Association of Banks in Malaysia
	7.	Professor, Faculty of Pharmacy Universiti Teknologi MARA
	8.	Chairman, Malaysian Bio-Industry Organisation
	9.	Chairman, Malaysian Venture Capital and Private Equity Association
	10.	Chief Executive Officer, Stemlife Berhad
	11.	Senior Vice President, Strategy & Planning Division, BiotechCorp

Established in 2007, the CWG on Financial Infrastructure met twice during the financial year ended 31 December 2007.

(vi) CWG on Legislative and Regulatory Framework

The CWG on Legislative and Regulatory Framework has yet to be fully established. However this will be done by 2008/2009.





(d) Other Committees

- Tender Board A
- Tender Board B
- Programme Recommendation Committee
- Programme Approval Committee
- Commercialisation and Technical Acquisition Grants (CTAG) Technical Committee
- Commercialisation and Technical Acquisition Grants (CTAG) Approval Committee

3. Communication with Shareholders & Investors

BiotechCorp is given funds for Operating Expenditure (OPEX) and Development Expenditure Budget from MOSTI and MOF based on approved deliverables and targets set by and between the Government and BiotechCorp.

Accountability and audit

i. Financial Reporting

In presenting the annual financial statement to the stakeholders, the Board aims to present a balanced and understandable assessment of BiotechCorp's position and deliverables.

The Audit Committee assists by scrutinising the information to be disclosed, to ensure accuracy and transparency.

ii. Directors' Responsibility Statement

The Company's financial statements are prepared in accordance with the applicable approved standards in Malaysia and provisions of Companies Act 1965. The Board of Directors is responsible to ensure that the financial statements of the Company give true and fair view of the state of affairs of the Company at the end of the financial year.

The Statement of Directors pursuant to Section 169(15) of the Companies Act 1965 were signed by the Chairman, YBhg Tan Sri Datuk Dr Ahmad Zaharudin bin Idrus and the Chief Executive Officer, YBhg Dato' Iskandar Mizal bin Mahmood is reflected on page 55.

iii. Internal Control

The Board acknowledges its responsibility for the Company's system of internal control, which is to identify and manage the risks facing the organisation in pursuit of its objectives.

The system of internal control covers the risk management, financial, organisational, operational and compliance controls to safeguard stakeholders' assets and interest. The Board has tasked its Senior Management with responsibility for monitoring and reviewing strategic and significant operational matters of the Company through the following key elements of internal control:



Organisation and Management Structure

The Management Team is led by the Chief Executive Officer and comprises Senior Vice Presidents. The Company is structured such that, the heads of all operating units have a clear reporting line. There is also proper segregation of duties to ensure safe custody of the Company's assets and responsibility is discharged to the best of the Company's interest.

One of the Board members is the Chief Executive Officer and he is actively involved in the daily operations of the Company and holds regular discussions with the Senior Management. The Management of each division is completely responsible for the conduct, performance and achievement of the initiatives and to ensure that effective system of internal control is in action.

The Management Team makes recommendations to the Board of Directors on major capital expenditure, major initiatives outlined in the National Biotechnology Policy, the preparation of the annual business plan and budget for the approval of the Board.

All employees are expected to be vigilant and efficient in delivering their respective job functions. In addition to external training, BiotechCorp as an industry development corporation, also provides employees with on-the-job training in areas relevant to their job function. The employees are remunerated based on their performance and achievement according to a structured appraisal system.

Business Performance Review

Key performance indicators are closely monitored by the Senior Management against the business plan and budget with major variances and critical operational issues to be followed up and appropriate action taken by the Management, where deemed necessary.

The Board has also reviewed the Company's business plan and budget for the coming year. The budgeting process includes the preparation of business plans and budgets by the individual divisions. These are approved at Management level and ultimately by the Board.

Internal Audit Function

The Company has an in-house Internal Audit Department (IAD) created by the Board pursuant to its resolution on 10 February 2006.

The Internal Audit Department (IAD) is independent of the activities or operations of the Company. The duties of the Internal Auditors are performed impartially, proficiently and with professional due care and it provides the Audit Committee and the Board with assurance in respect of the adequacy and integrity of the system of internal control. Overall, the IAD is responsible for advising the Company with regards to established policies, guidelines, controls and security procedures to minimise risk exposures, prevent losses and promote efficiency and effectiveness in achieving BiotechCorp's missions entrusted under the National Biotechnology Policy.

Risk Management

The Board recognises that risk management is an integral part of the Company's affairs to identify and ensure the achievement of the Company's business objectives. During the year, the Board has completed the exercise in formalising a structured risk management framework.

The Management and IAD have been spearheading the risk management exercise with the following deliverables:

- i) Setting up of the Enterprise Risk Management (ERM) framework
- ii) Risk Management awareness and training session
- iii) Risk Management Policy Statement
- iv) Detailed risk registers for five (5) divisions throughout BiotechCorp



Relationship with External Auditors

The Company maintains a transparent and appropriate relationship with the External Auditors in seeking their professional advice and towards ensuring compliance with applicable accounting standards and all statutory requirements. The External Auditors are invited to attend meetings to deliberate on audit plans and annual financial results.





The Financial Statements





The Financial Statements

Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)



Financial Statements For The Year ended 31 December 2007





Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Directors' report for the year ended 31 December 2007

The Directors hereby submit their report and the audited financial statements of the Company for the year ended 31 December 2007.

Principal activities

The Company is principally engaged to act as a dedicated and professional one-stop agency for the government in developing biotechnology industry in the country. There has been no significant change in the nature of this principal activity during the year.

Results

	RM
Net profit for the year	360,877

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

Directors who served since the date of the last report:

- **Tan Sri Datuk Dr. Ahmad Zaharudin Bin Idrus**
- **Dato' Iskandar Mizal Bin Mahmood**
- **Tan Sri Datuk Dr. Haji Mohamed Ismail Bin Merican**
- **Dato' Abdul Hanan Bin Alang Endut**
- **Dato' Puteh Rukiah Binti Abd. Majid**
- **Dato' Sofian Bin Mohd Salleh**
- **David Ho Sue San**
- **Nelleita Binti Omar**
- **Zaiton Binti Jamaluddin**
- **Prof. Dr. Mary Jane Cardoso**

None of the Directors holding office at 31 December 2007 had any interest in the ordinary shares of the Company during the financial year.



(Company No.691431-D)

Directors' benefits

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

There were no changes in the issued and paid up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there were no known bad debts to be written off and no provision need to be made for doubtful debts; and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render necessary to write off any bad debts, or provide for any doubtful debts; or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading; or





(Company No.691431-D)

- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

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

.....
Tan Sri Datuk Dr. Ahmad Zaharudin Bin Idrus

.....
Dato' Iskandar Mizal Bin Mahmood

Kuala Lumpur,

Date: **28 MAR 2008**



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 58 to 76 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Company at 31 December 2007 and of the results of its operations and cash flows for the year ended on that date.

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

.....
Tan Sri Datuk Dr. Ahmad Zaharudin Bin Idrus

.....
Dato' Iskandar Mizal Bin Mahmood

Kuala Lumpur,

Date: **28 MAR 2008**



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Raja Ridzwa Bin Raja Abdul Aziz, the officer primarily responsible for the financial management of Malaysian Biotechnology Corporation Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 58 to 76 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.

Subscribed and solemnly declared by the above named in Kuala Lumpur on

28 MAR 2008

Raja Ridzwa Bin Raja Abdul Aziz

Before me:



Suite 1-09-11, Plaza Man'Korea
No. 2, Jalan Kura, Medan Kura,
50480 Kuala Lumpur.



Report of the auditors to the members of Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 58 to 76. The preparation of the financial statements is the responsibility of the Company's Directors.

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

We conducted our audit in accordance with the approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Company at 31 December 2007 and of the results and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Abdullah Abu Samah
Partner
Approval Number: 2013/06/08(J)

Kuala Lumpur,

Date: **31 MAR 2008**



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Balance sheet at 31 December 2007

	Note	2007 RM	2006 RM
Non-current assets			
Property, plant and equipment	2	5,780,424	2,613,216
Intangible asset	3	3,241,925	-
Current assets			
Other receivables, deposits and prepayments	4	5,050,734	2,422,781
Cash and cash equivalents	5	159,932,212	57,655,091
Tax recoverable		262,500	-
		<hr/>	<hr/>
		165,245,446	60,077,872
Current liabilities			
Other payables and accruals	6	7,849,171	3,827,276
Hire purchase liabilities	7	100,963	100,963
		<hr/>	<hr/>
		7,950,134	3,928,239
Net current assets			
		<hr/>	<hr/>
		157,295,312	56,149,633
		<hr/>	<hr/>
		166,317,661	58,762,849
Financed by:			
Capital and reserves			
Share capital	8	70,000,002	70,000,002
Accumulated losses		(30,897,540)	(31,258,417)
		<hr/>	<hr/>
		39,102,462	38,741,585
Deferred and non-current liabilities			
Hire purchase liabilities	7	218,498	320,351
Deferred income	9	126,996,701	19,700,913
		<hr/>	<hr/>
		127,215,199	19,999,264
		<hr/>	<hr/>
		166,317,661	58,762,849

The financial statements were approved and authorised for issue by the Board of Directors on **28 MAR 2008**

The notes on pages 63 to 76 are an integral part of these financial statements.



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Income statement for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Other operating income		31,345,186	1,466,444
Staff costs	11	(11,969,807)	(7,179,087)
Promotion and corporate communication expenses		(10,295,024)	(11,112,414)
Administrative expenses		(6,796,667)	(6,643,469)
Other operating expenses		(820,634)	(641,180)
Profit/(Loss) before depreciation and interest expense		1,463,054	(24,109,706)
Depreciation		(1,085,878)	(502,697)
Operating profit/(loss)		377,176	(24,612,403)
Interest expense		(16,299)	(13,680)
Net profit/(loss) for the year	12	360,877	(24,626,083)



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Statement of changes in equity for the year ended 2007

	<i>Non-distributable Share capital RM</i>	<i>Distributable Accumulated losses RM</i>	<i>Total RM</i>
At 1 January 2006	25,000,002	(6,632,334)	18,367,668
Issue of shares during the year	45,000,000	-	45,000,000
Net loss for the year	-	(24,626,083)	(24,626,083)
At 31 December 2006 / 1 January 2007	70,000,002	(31,258,417)	38,741,585
Net profit for the year	-	360,877	360,877
At 31 December 2007	70,000,002	(30,897,540)	39,102,462

Note 8



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Cash flow statement for the year ended 31 December 2007

	2007 RM	2006 RM
Cash flows from operating activities		
Profit/(Loss) before taxation	360,877	(24,626,083)
Adjustments for:		
Amortisation of government grants	(36,661,743)	(443,896)
Depreciation	1,085,878	502,697
Interest income	(1,341,905)	(452,975)
Interest expense	16,299	13,680
Loss from equipment written off	-	715
Provision for accumulating compensated expenses	(42,447)	186,330
Operating loss before working capital changes	(36,583,041)	(24,819,532)
Changes in working capital:		
Other receivables, deposits and prepayments	(2,890,453)	(1,042,039)
Other payables and accruals	1,713,703	2,758,597
Net cash used in operating activities	(37,759,791)	(23,102,974)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,253,086)	(1,405,100)
Acquisition of technology license	(3,241,925)	-
Interest received	2,044,436	597,783
Insurance compensation from loss of equipment	-	4,750
Net cash used in investing activities	(5,450,575)	(802,567)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	45,000,000
Developmental government grants received	108,255,000	20,000,000
Non-developmental government grants received	38,500,000	-
Commercialisation grants disbursed	(1,149,361)	-
Hire purchase repayments	(101,853)	(75,455)
Interest paid	(16,299)	(13,680)
Net cash generated from financing activities	145,487,487	64,910,865
Net increase in cash and cash equivalents	102,277,121	41,005,324
Cash and cash equivalents at beginning of year	57,655,091	16,649,767
Cash and cash equivalents at end of year	159,932,212	57,655,091





[Company No.691431-D]

Cash flow statement for the year ended 31 December 2007 (continued)

	2007 RM	2006 RM
(i) Cash and cash equivalents comprise:		
Cash and bank balances	43,799,208	847,091
Deposits placed with licensed financial institutions	116,133,004	56,808,000
	<hr/>	<hr/>
	159,932,212	57,655,091

(ii) Purchase of property, plant and equipment

Included in the additions of property, plant and equipment of the Company during the year of RM4,253,086 (2006: RM1,814,800) are property, plant and equipment acquired by means of hire purchase of RM Nil (2006: RM409,700).

The notes on pages 63 to 76 are an integral part of these financial statements



Malaysian Biotechnology Corporation Sdn. Bhd.

(Company No.691431-D) (Incorporated in Malaysia)

Notes to the financial statements

Malaysian Biotechnology Corporation Sdn. Bhd is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

Registered office:

10th Floor, Wisma Havela Thakardas
No.1, Jalan Tiong Nam
Off Jalan Raja Laut
50350 Kuala Lumpur

Principal place of business:

Level 23, Menara Naluri
161, Jalan Ampang
50450 Kuala Lumpur

1. Significant accounting policies

The following accounting policies are adopted by the Company consistently to all periods presented in these financial statements.

(a) Basis of accounting

The financial statements of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for private entities issued by the Malaysian Accounting Standards Board.

(b) Property, plant and equipment

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

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.



(Company No.691431-D)

1. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

Depreciation

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

Office equipment	20%
Computer equipment	33 1/3%
Furniture and fittings	20%
Motor vehicles	20%

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase costs and depreciated on the same basis as owned assets. The total amount payables under hire purchase arrangements are included as hire purchase liabilities.

The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

(c) Intangible asset

Patent and licenses

Patent, licenses and other similar purchased rights of technology platform are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Intangible assets are amortised from the date that they are available for use.



(Company No.691431-D)

1. Significant accounting policies (continued)

(d) Other receivables, deposits and prepayments

Other receivables, prepayments and deposits are stated at cost net of allowance for doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with licensed financial institutions.

(f) Liabilities

Other payables and accruals are stated at cost.

Provision for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(g) Impairment of assets

The carrying amount of assets, other than financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.





(Company No.691431-D)

1. Significant accounting policies *(continued)*

(h) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(i) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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



(Company No.691431-D)

1. Significant accounting policies (continued)

(j) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

1 USD	: RM3.32 (2006: RM3.55)
1 GBP	: RM6.62 (2006: RM6.92)
1 EUR	: RM4.88 (2006: N/A)

(k) Income

(i) Services

Income from services rendered is recognised net of discounts in the income statement as and when services are performed.

(ii) Interest income

Interest income is recognised in the income statement as and when there is reasonable assurance that it will be received.

(l) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

(m) Government grants

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in the income statement over the period necessary to match them with the related costs that they are intended to compensate. Grants that compensate the Company for the cost of an asset are recognised in the income statements on a systematic basis over the useful life of the asset.



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2. Property, plant and equipment

Cost	Office equipment RM	Computer equipment RM	Furniture and fittings RM	Motor vehicles RM	Work-in progress RM	Total RM
At 1 January 2007	513,186	931,383	919,007	556,955	322,584	3,243,115
Additions	230,848	3,221,024	299,670	-	501,544	4,253,086
Reclassification	-	322,584	-	-	(322,584)	-
At 31 December 2007	744,034	4,474,991	1,218,677	556,955	501,544	7,496,201
At 1 January 2007	119,578	213,980	198,872	97,469	-	629,899
Charge for the year	121,594	628,963	223,930	111,391	-	1,085,878
At 31 December 2007	241,172	842,943	422,802	208,860	-	1,715,777
Net book value						
At 31 December 2007	502,862	3,632,048	795,875	348,095	501,544	5,780,424
At 31 December 2006	393,608	717,403	720,135	459,486	322,584	2,613,216
Depreciation charged for the year ended 31 December 2006	95,297	168,242	152,352	86,806	-	502,697

Assets under hire purchase

All motor vehicles of the Company were acquired by means of hire-purchase arrangements.



(Company No.691431-D)

3. Intangible asset

	2007 RM	2006 RM
Technology patent and licenses, at cost	3,241,925	

The acquisition of technology patent and licenses on 20 November 2007 is part of the 9th Malaysia Plan ("RMK-9") program under the Biotechnology Acquisition Grant. The completion of the technology acquisition is subject to a 12-month technology transfer commencing on 1 May 2008.

4. Other receivables, deposits and prepayments

	2007 RM	2006 RM
Other receivables and prepayments	4,187,954	1,735,752
Sundry deposits	862,780	687,029
	<u>5,050,734</u>	<u>2,422,781</u>

5. Cash and cash equivalents

	2007 RM	2006 RM
Cash and bank balances	43,799,208	847,091
Deposits placed with licensed financial institutions	116,133,004	56,808,000
	<u>159,932,212</u>	<u>57,655,091</u>

Included under cash and cash equivalents, are amounts restricted for the purposes of developmental projects amounting to RM118,889,577 (2006 : RM19,994,039).



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6. Other payables and accruals

	2007 RM	2006 RM
Commercialisation grants awarded payable	2,350,639	-
Other payables	3,391,688	3,263,387
Accruals	2,106,844	563,889
	<hr/>	<hr/>
	7,849,171	3,827,276

7. Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2007 RM	Interest 2007 RM	Principal 2007 RM	Payments 2006 RM	Interest 2006 RM	Principal 2006 RM
Less than one year	118,152	17,189	100,963	118,152	17,189	100,963
Between one and five years	256,135	37,637	218,498	374,278	53,927	320,351
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	374,287	54,826	319,461	492,430	71,116	421,314

8. Share capital

	2007 RM	2006 RM
Ordinary shares of RM1 each:		
Authorised share capital	100,000,000	100,000,000
	<hr/>	<hr/>
Issued and fully paid share capital	70,000,002	70,000,002



(Company No.691431-D)

9. Deferred income

	2007 RM	2006 RM
Non-current		
A) Developmental Grants		
At 1 January	19,700,913	-
Received during the year:		
IP Research and Management Program	11,326,000	953,000
Biotechnology Acquisition Grant	51,449,000	8,870,000
Biotechnology Commercialisation Grant	22,815,000	7,982,000
Biotechnology Entrepreneur Program	13,843,000	2,195,000
Biotechnology Entrepreneurship Training Programme ("BeST")	8,822,000	-
	127,955,913	20,000,000
Add: Interest income from placement of deposits	702,531	144,809
	128,658,444	20,144,809
Less: Commercialisation grants awarded	(3,500,000)	-
	125,158,444	20,144,809
Less: Amortisation to Income Statement (Note 12)	(6,763,312)	(443,896)
At 31 December	118,395,132	19,700,913
B) Non-developmental Grants		
Received during the year:	38,500,000	-
Less: Amortisation to Income Statement (Note 12)	(29,898,431)	-
At 31 December	8,601,569	-
Total deferred income	126,996,701	19,700,913

The Company was awarded the above government grants for the following purposes:

A) Developmental Grants

Intellectual Property Research and Management Program comprises a series of programs that are targeted to enhance the efficiency and effectiveness of intellectual property management and protection in Malaysia.



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9. Deferred income *(continued)*

A) Developmental Grants *(continued)*

Biotechnology Acquisition Grant provides funding for the acquisition of enabling and platform technologies within the biotechnology industry.

Biotechnology Commercialisation Grant provides funding to facilitate the establishment of biotechnology start-ups. The Biotechnology Commercialisation Grant comprises Seed Funding, R&D Matching Funding and International Business Development Matching Funding.

Biotechnology Entrepreneur Program seeks to develop biotechnology entrepreneurs by providing the necessary skill sets and knowledge to commence, develop and manage new biotechnology ventures.

Biotechnology Entrepreneurship Training Program ("BeST") is an intensive and structured training program for biotechnology graduates to equip themselves with the necessary knowledge and skills with the aim to provide a competent workforce in the industry.

B) Non-developmental Grants

The non-developmental grant received from the government is to finance the Company's day-to-day operating activities.

10. Deferred taxation

No deferred tax has been recognised for the following items:

	2007 RM	2006 RM
Unutilised tax losses	29,764,889	29,764,889
Temporary differences	1,543,812	583,290
	<hr/>	<hr/>
	31,308,701	30,348,179

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.



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11. Staff costs

	2007 RM	2006 RM
Directors' remunerations	772,336	631,567
Employee Provident Fund	978,897	565,142
Salaries and other staff costs	10,261,021	5,796,048
Provision for accumulating compensated absences	(42,447)	186,330
	<u>11,969,807</u>	<u>7,179,087</u>

The number of employees of the Company at the end of the year is 127 (2006 : 90).

12. Net profit / (loss) for the year

	2007 RM	2006 RM
Net profit/(loss) for the year is arrived at after charging:		
Audit fee	20,000	20,000
Depreciation	1,085,878	502,697
Rental - Office	3,005,620	2,143,709
- Others	7,931	6,299
Interest expense	16,299	13,680
Lease rental	318,512	211,000
Loss from equipment written-off	-	715
Realised loss on foreign exchange	696	-
	<u>696</u>	<u>-</u>
and crediting:		
Interest income	1,341,905	452,975
Realised gain on foreign exchange	-	57
Amortisation of developmental grants (Note 9)	6,763,312	443,896
Amortisation of non-developmental grants (Note 9)	29,898,431	-
	<u>29,898,431</u>	<u>-</u>





13. Tax expense

Reconciliation of effective tax rate / expense

	%	2007 RM	%	2006 RM
Profit/(Loss) before taxation		360,877		(24,626,083)
Income tax using Malaysian tax rates	27	97,437	(28)	(6,895,303)
Tax exemption	(27)	(97,437)	28	6,895,303
Tax expense	-	-	-	-

The Company has been granted a tax exemption on its statutory income under subsection 127 (3A) Income Tax Act 1967 (for all sources of income except for dividend income) for the period of 5 years commencing from year of assessment 2006 to 2010.

14. Operating leases

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2007 RM	2006 RM
Less than one year	138,667	187,232
Between one and five years	31,400	43,273
	<u>170,067</u>	<u>230,505</u>

The Company leases a number of computer equipment under operating leases. The leases run for a period of three years. None of the leases include contingent rentals.



15. Capital commitments

	2007 RM	2006 RM
Approved and contracted for:		
Property, plant and equipment	883,928	-
Patent and licences	12,200,000	-
	<hr/>	
	13,083,928	-

16. Financial instruments

Financial risk management objectives and policies

Exposure to credit, liquidity and foreign currency risk arises in the normal course of the Company's business. The Board of Directors reviews and agrees policies for managing these risks and the risks are summarised as below:

Credit risk

The Company's exposure to credit risk arises through its other receivables. At balance sheet date, there was no significant exposure of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the other receivables presented in the balance sheet.

Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Company incurs foreign currency risk on expenses that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollars, GBP and EUR and are restricted to operational transactions. Hence, foreign currency risk is minimal.





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16. Financial instruments (continued)

Effective interest rates and repricing analysis

The following table indicates the effective interest rates at the balance sheet date and the year in which they reprice or mature, whichever is earlier.

	Effective interest rates %	Total RM	Within 1 year RM
2007			
Financial asset			
Deposits placed with licensed financial institutions	3.10 to 3.80	116,133,004	116,133,004
2006			
Financial asset			
Deposits placed with licensed financial institutions	3.10 to 3.88	56,808,000	56,808,000

Fair values

Recognised financial instruments

At the balance sheet date, the carrying amount of cash and cash equivalents, other receivables, deposits and prepayments, other payables and accruals approximate their fair value due to the relatively short term nature of these financial instruments.

Unrecognised financial instruments

There are no unrecognised financial instruments at the balance sheet date.



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