

annual report 2005

GLOBAL PROGRESSION

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Certificate No: 403813



2001
Celebrating Malaysia's
Enterprising Spirit

www.metronic-group.com



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

Vision

To be an internationally recognised leading engineering and technology total solution provider.



Con

Mission

- To apply our unique management style that incorporates our manpower resources, experience, expertise, innovation and creative approach.
- To continuously seek new technologies that meet our clients' requirements.
- To create a workplace that motivates our employees.
- To develop strategic relationships with partners who have skills that enhance and complement our own.
- To continually improve the effectiveness of the quality management system.
- To maximise value of our stakeholders.



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Metronic Global Berhad will be held at Gallery 1, Level 3, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100, Shah Alam, Selangor Darul Ehsan on Thursday, 15 June 2006 at 11.00 a.m. for the following purposes:

Ordinary Business

- | | | |
|----|---|---------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. | To approve the payment of a Final Dividend of 3% less income tax 28% in respect of the financial year ended 31 December 2005. | Resolution 2 |
| 3. | To re-elect the following Directors retiring in accordance with Article 86 of the Company's Articles of Association and who being eligible have offered themselves for re-election: | |
| | i) Y Bhg Dato' Abd Gani Bin Yusof | Resolution 3 |
| | ii) Mr Liew Chiap Hong | Resolution 4 |
| 4. | To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2005. | Resolution 5 |
| 5. | To re-appoint Messrs Ernst & Young as Auditors for the ensuing year and to authorize the Directors to fix their remuneration. | Resolution 6 |

Special Business

To consider and if thought fit, to pass the following as ordinary resolutions:

- | | | |
|----|---|---------------------|
| 6. | AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 | |
| | "THAT pursuant to Section 132D of the Companies Act, 1965, and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the MESDAQ Market of Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." | Resolution 7 |
| 7. | PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH METRONIC CORPORATION SDN BHD | |
| | "THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Metronic Corporation Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public. Details of the RRPTs are set out in Section 2.3.1 (i) and (vi) of the Circular to Shareholders of the Company dated 22 May 2005. | |



Notice of Annual General Meeting (cont'd)

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate."

Resolution 8

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MEDITECHNIQUE SDN BHD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Meditechnique Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.1 (ii) and (vii) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 9

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ITG WORLDWIDE (M) SDN BHD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with ITG Worldwide (M) Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs



Notice of Annual General Meeting (cont'd)

are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.1 (iii) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 10

10. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH INTEGRATED COMMERCE SDN BHD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Integrated Commerce Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.1 (iv) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 11



11. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MH PROJECTS SDN BHD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with MH Projects Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public. Details of the RRPTs are set out in Section 2.3.1 (v) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 12

12. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ITG WORLDWIDE (M) SDN BHD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with ITG Worldwide (M) Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (i) and (ii) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.



Notice of Annual General Meeting (cont'd)

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 13

13. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ICARE HEALTH SERVICES PTE LTD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Icares Health Services Pte Ltd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (iii) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 14

14. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ARIANTEC SDN BHD**

THAT pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Ariantec Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (iv) of the Circular to Shareholders of the Company dated 22 May 2006.

AND THAT such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.



AND FURTHER THAT the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

Resolution 15

15. ANY OTHER BUSINESS

To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Third Annual General Meeting of the Company a final dividend of 3% less 28% income tax in respect of the financial year ended 31 December 2005 will be paid on 28 July 2006 to depositors registered in the record of depositors at the close of business on 6 July 2006.

A Depositor shall qualify for entitlement to the Dividend only in respect of:

- a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 6 July 2006 in respect of ordinary transfers.
- b) Shares bought on the MESDAQ Market of Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

AZLAN MOHD ARIFF (LS 0008402)
Company Secretary

Selangor Darul Ehsan
22 May 2006

NOTES

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company and provision of Section 149(1) (b) of the Companies Act 1965 need not be complied with.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy. Duplication of proxy form is allowed for appointment of additional proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under seal or under the hand of an official or attorney duly authorized.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at 650, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. If no name is inserted in the space provided for name of proxy, the Chairman of meeting shall act as proxy.
7. A member should insert the number of shares held in the box provided. If no number is inserted, the form of proxy will be deemed to relate to all shares held by the member.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 7

Resolution pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 7, if passed, would empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for time being for such purpose as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

2. Resolution 8-15

Resolutions pertaining to renewal and new Shareholders' Mandate for the Recurrent Related Party Transactions

The proposed resolutions, if passed, will enable the Company and each of its subsidiaries to enter into a recurrent related party transactions with the parties as set out in the Circular to Shareholders of the Company dated 22 May 2006, dispatched together with the Annual Report. This authority, subject to renewal thereof, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act 1965 (excluding any extension of such period as may be allowed under the Companies Act 1965) unless earlier revoked or varied by a resolution in a general meeting whichever is earlier.

Statement Accompanying The Notice of 3rd Annual General Meeting

Pursuant to the Appendix 8B of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, appended hereunder are:-

1. THE NAMES OF THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION:-

- i) Y Bhg Dato' Abd Gani Bin Yusof
- ii) Mr Liew Chiap Hong

Further details of profile of Directors are set out in pages 14 and 15 of the Annual Report while their securities holdings are set out in page 73 of the Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:-

A total of five Board meetings were held during the financial year ended 31 December 2005. Details of attendance Directors holding office at the end of the financial year are as follows:-

Name	Attendance
Tan Sri Dato' Kamaruzzaman bin Shariff	5/5
Dato' Abd Gani bin Yusof	4/5
Dr. Ng Tek Che	5/5
Liew Chiap Hong	4/5
Lee Fok Chong	5/5
Subhi bin Hj Dziauddin	3/5
Amirudin bin Mohd Baria	4/5
Li Ji Chang	3/5

3. DATE, TIME AND PLACE OF MEETING:-

Type of meeting : Third Annual General Meeting
 Date : Thursday, 15 June 2006
 Time : 11.00 am
 Place : Gallery 1, Level 3, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100, Shah Alam, Selangor Darul Ehsan

BOARD OF DIRECTORS

Tan Sri Dato' Kamaruzzaman bin Shariff	Executive Chairman
Dato' Abd. Gani bin Yusof	Executive Vice-Chairman
Dr Ng Tek Che	Group Managing Director
Liew Chiap Hong	Executive Director
Lee Fok Chong	Independent Non-Executive Director
Subhi bin Hj Dziauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director
Li Ji Chang	Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lee Fok Chong
Chairman

Subhi bin Hj Dziauddin
Member

Amirudin bin Mohd Baria
Member

Liew Chiap Hong
Member

REMUNERATION COMMITTEE

Lee Fok Chong
Chairman

Subhi bin Hj Dziauddin
Member

Amirudin bin Mohd Baria
Member

Liew Chiap Hong
Member

NOMINATION COMMITTEE

Subhi bin Hj Dziauddin
Chairman

Lee Fok Chong
Member

Dr Ng Tek Che
Member

COMPANY SECRETARY

Azlan Mohd Ariff (LS 0008402)

REGISTERED OFFICE

650, Block A, Kelana Centre Point
No. 3, Jalan SS 7/19, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03 - 7804 7076
Fax: 03 - 7804 8039

REGISTRAR

PFA Registration Services Sdn Bhd
(19234-W)
Level 13, Uptown 1
No. 1 Jalan SS 21/58,
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03 - 7725 4888
Fax: 03 - 7722 2311

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants

SPONSOR

Hwang-DBS Securities Berhad (14389-U)
Suite 23A, 23A Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03 - 2143 7888

SOLICITORS

Messrs Bahari & Bahari
Messrs Liow & Co
Messrs Kamarudin & Partners

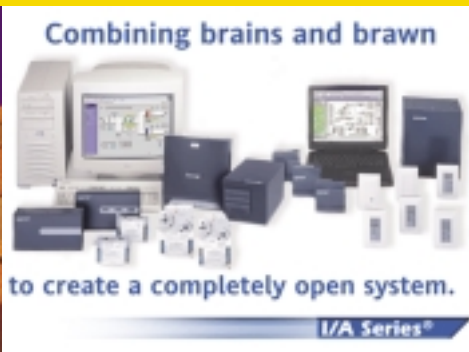
PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
United Overseas Bank (Malaysia) Berhad
(271809-K)
HSBC Bank Malaysia Berhad (127776-V)

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad
Stock name: MTRONIC
Stock code: 0043

Corporate Milestone



24 May 2004

MGB was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad and made an impressive market debut with its shares opening at 33 sen, a 57% or 12 sen premium over its offer price of 21 sen.

13 July 2004

MESB entered into a conditional Acquisition of Shares and Shareholders Agreement with Infocon Holdings (S) Pte Ltd ("ISPL") to purchase 51% equity interest in Infocon (Beijing) Environment Control Technology Company Limited, from ISPL for a cash consideration of USD300,000.

17 August 2004

The Company in collaboration with China National Registry of Products and Services Code Company Limited, Free Glider Communication Co. Ltd, and Infocon (Beijing) Environment Control Technology Company Limited, entered into a Collaboration Agreement to jointly implement the National Products and Service Coding System Project in the People's Republic of China.

26 August 2004

MGB declared an interim dividend of 3% less 28% income tax, amounted to RM612,447 in respect of the financial year ended 31 December 2004 which was paid on 30 September 2004.

15 January 2005

The Company incorporated a wholly-owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited ("MMBCL") in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each. The principal activities of MMBCL are design, production and sale of engineered systems for the Information, Communication and Technology industry, specializing in integrated building management system and telecommunication system.

28 January 2005

MESB received an award from Deloitte, a leading professional and consultancy firm, as one of the winners of the Deloitte Technology Fast 500 Asia Pacific 2004.

1 March 2005

MESB received an award from Nexwatch USA, a Honeywell company, as the Area Dealer of the Year 2004 – Asia Pacific.

15 March 2005

MMBCL entered into a Sale and Purchase Agreement with Beijing Jia Li Heng De Housing Developer Company Limited (name has been translated) for the acquisition of an office suite located at 8th Floor, Top Fine International Center, Beijing, People's Republic of China with a built-up area of approximately 695.09 square metres for a cash consideration of Chinese Reminbi 9,022,268.

15 June 2005

MGB declared a final dividend of 3% less 28% income tax, amounted to RM612,447 in respect of the financial year ended 31 December 2004 which was paid on 29 July 2005.

15 August 2005

The Company has on 25 July 2005 acquired a 70% foreign subsidiary, Metronic Engineering Private Limited ("MEPL") in India. The principal activities of MEPL are design, production and sale of engineered systems for the Information, Communication and Technology industry in India, specialising in intelligent building management system and integrated security management system.

4 September 2005

The Company has established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates ("UAE"). The Service License issued by the Dubai Airport Free Zone Authority is valid from 4 September 2005 to 3 September 2006. The purpose of the branch office is to register the Company's interest and to carry out the Company's business activities in Dubai, UAE.

8 September 2005

MESB, on 8 September 2005, jointly with MEPL, has secured a work order in India for the world class center for perishable cargo – automation (Section 3) awarded by Cochin International Airport Limited. .



10 September 2005

The Company's Dubai branch office, had on 10 September 2005 entered into a Memorandum of Agreement with BinLadin Contracting Group, a company organised and existing under the laws of UAE, to form a joint venture to prepare and submit tender offers to various clients in Dubai, UAE and to conduct any necessary contract negotiations related to the tender offers and to execute the contract upon award to completion and contract conclusion in every respect.

15 September 2005

MESB, on 15 September 2005, through a joint venture by project basis with a local state company, VIETTEL Corporation, Vietnam has secured a state government project in Vietnam for the provision and installation of Communication, Electronics and Building Management Systems for National Convention Center in Hanoi, Vietnam.

12 November 2005

On 12 November 2005, MESB signed a Power Line Communication ("PLC") Products Development Agreement with Planet System Co. Ltd ("Planet"), a Korean company involved in the research and development of PLC technology and in the production of the PLC transceiver and Home Network solutions, to jointly develop the PLC products in Malaysia.

20 December 2005

MESB, on 20 December 2005, through the local main contractor Ahmad Zaki Resources Berhad, secured a project in Saudi Arabia for the provision and installation of Building Management Systems and Building Security System for Al-Faisal University, Riyadh.

27 February 2006

A final dividend of 3% less 28% income tax, amounting to RM612,447.19 in respect of the financial year ended 31 December 2005 was proposed by the Board which is subject to the shareholders' approval.

28 March 2006

MMBCL, on 28 March 2006, secured a project in China for the provision and installation of Building Management Systems for China Petroleum Headquarters at Beijing.

14 April 2006

On 14 April 2006, MGB signed a Joint Venture cum Shareholders' Agreement with iCare Health Services Pte Ltd to co-operate and collaborate on the health care services via a joint venture company known as Metronic iCares Sdn Bhd (formerly known as Success Knowledge Sdn Bhd) ("MiCARES") which was incorporated on 20 March 2006. MGB will hold 51% equity interest in MiCARES via a subscription of 51 ordinary shares of RM1.00 each in MiCARES for a total cash consideration of RM51.

14 April 2006

On 14 April 2006, MGB wrote to Vincent Loy Ghee Yaw and Chen Kong Kheng ("Vendors"), the shareholders of Ariantec Sdn Bhd ("ASB") to confirm its interest to acquire 200,000 ordinary shares of RM1.00 each in ASB representing 40% of the existing issued and paid-up share capital of ASB for a purchase consideration of RM5.40 million to be satisfied by the issuance of 12,600,000 new ordinary shares of RM0.10 each in MGB ("MGB Shares") at an issue price of RM0.30 per MGB Share and cash payment of RM1.62 million ("the Offer"). The Vendors had on even date accepted the Offer. The principal business activity of ASB is the provision of turnkey solutions on network infrastructure and security management.

On 21 April 2006

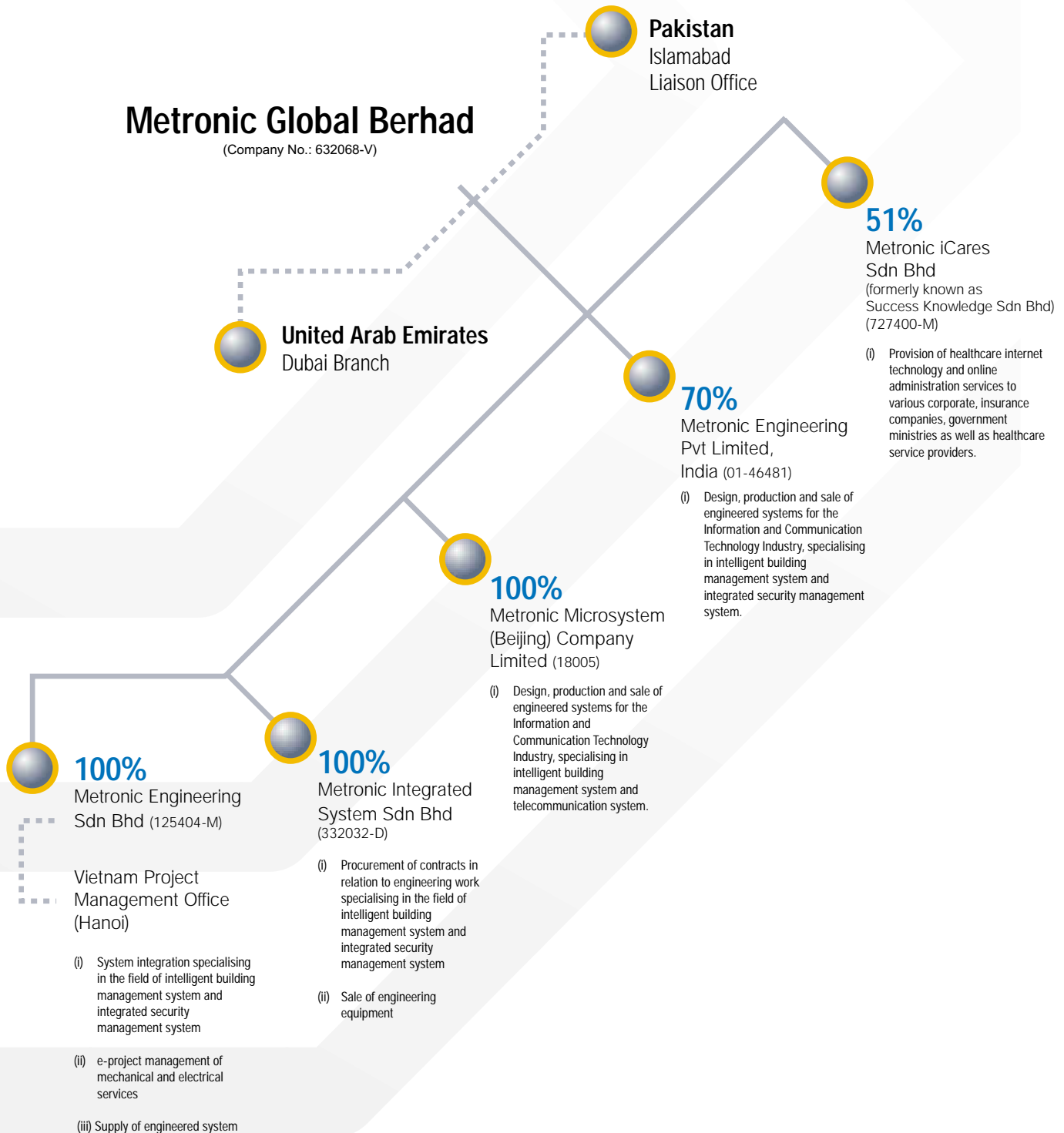
MESB received an award from Invensys Building Systems Pte Ltd as the 2006 Asia Pacific Awards for Business Development.

Corporate Structure

As at 5 May 2006

Metronic Global Berhad

(Company No.: 632068-V)



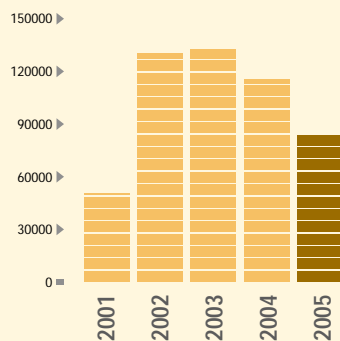
Five Year Financial Highlights

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Revenue	50,307	130,014	131,997	115,206	84,474
Profit before tax	6,552	8,505	7,280	14,556	12,781
Profit after tax and minority interest	4,933	7,332	3,474	10,697	9,249
Total shareholders' funds	16,944	24,276	21,253	44,844	52,952
Total assets	47,189	141,226	94,158	102,964	101,736
Net earnings per share (sen)	2.32	3.45	1.63	5.07	3.26
Net tangible assets per share (sen)	7.97	11.42	10.00	15.82	18.68

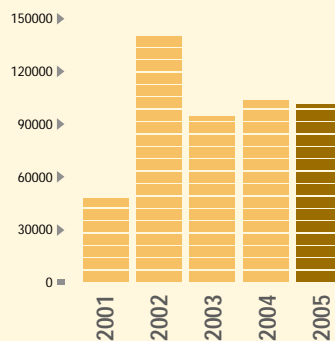
Note : The figures for the financial year ended 31 December 2001 to 31 December 2003 are provided on the proforma consolidated basis on the assumption that the existing group structure of MGB had been in existence throughout that period.

The figures for financial period ended 31 December 2004 are prepared since the effective formation of the Group on 18 March 2004 to 31 December 2004.

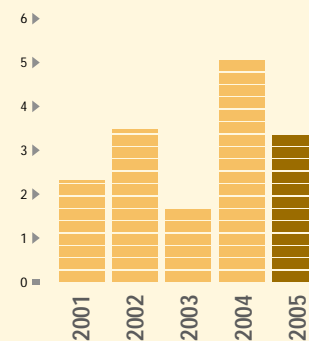
Revenue



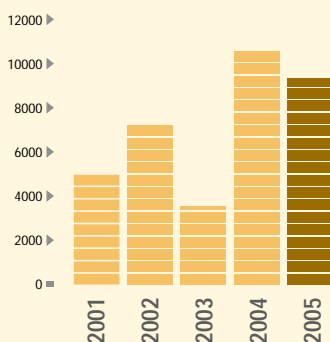
Total Assets



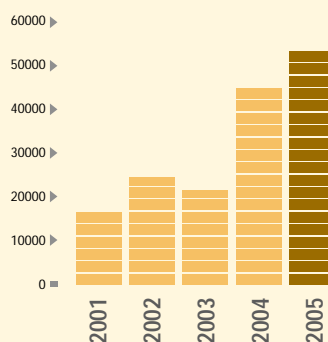
Net earnings per share



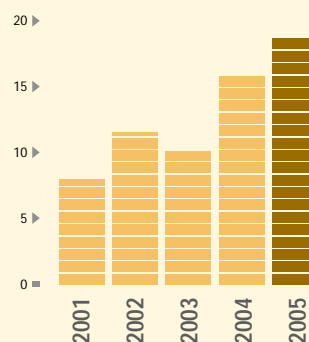
Profit after tax and minority interest



Total shareholders' fund



Net tangible assets per share



TAN SRI DATO' KAMARUZZAMAN BIN SHARIF

Executive Chairman
a Malaysian aged 64

He was appointed as the Executive Chairman of the Company on 22 March 2004. He obtained a Bachelor of Arts degree from the University of Malaya in 1963, a Diploma of Public Administration from Carleton University, Canada in 1969 and a Masters in Public Administration from Syracuse University, USA in 1979. He served the Malaysian Civil Service for 38 years where he had held various senior positions in the Federal and State Government, having served the last six (6) years as the Mayor of Kuala Lumpur from 1995 to 2001. His other postings include Secretary General of the Ministry of Defence from 1992 to 1995, Deputy Director General of the Public Services Department in 1992, Penang State Secretary from 1988 to 1992, Secretary in the Cabinet Division of the Prime Minister's Department from 1983 to 1987, Director of External Assistance and General Affairs in the Economic Planning Unit of the Prime Minister's Department from 1980 to 1983 and senior positions in the Public Services Department from 1972 to 1980 and the Ministry of Education from 1964 to 1972. He has vast administrative, strategic planning and management experience by virtue of his long service in the Malaysian Civil Service.

He currently sits as the Executive Chairman of Emas Kiara Industries Berhad and as the Non-Executive Chairman of Paragon Union Berhad. He is also a director of Kontena National Berhad.

He has no-family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 24 to the Financial Statements. He has no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

DATO' ABD. GANI BIN YUSOF

Executive Vice-Chairman
a Malaysian aged 51

He was appointed as the Executive Vice-Chairman of the Company on 22 March 2004. He graduated from Universiti Sains Malaysia with Bachelor of Science (Hons) in Housing, Building & Planning. His career began in 1981 with Peremba Bhd, a property development company which he left in 1988 as a Project Manager. He joined United Engineers (Malaysia) Bhd ("UEM") in 1988 as General Manager until 1991 where he was promoted to a Project Director. He was Managing Director of Linkedua (M) Bhd and Prolink Development Sdn Bhd, which are companies involved in the construction of the second link in Johor and development of the Nusajaya township from 1993 to 1995.

He does not hold any other directorship in other public company.

He has no family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 24 to the Financial Statements. He has no convictions of any offences in the past 10 years. He is a major shareholder of the Company.



DR NG TEK CHE
Group Managing Director
a Malaysian aged 50

He was appointed as the Group Managing Director of the Company on 22 March 2004. He is also a member of the Nomination Committee. He is one of the founders of Metronic Engineering Sdn Bhd ("MESB"), which started as a partnership in 1986. He was conferred the Honorary Degree, Doctor of Philosophy in Business Management (Ph.D.) from Burkes University in September 2003. He holds a Master Degree in Business Administration from Charles Sturt University and a Diploma in Mechanical and Automotive Engineering from Tunku Abdul Rahman College. He started his career as a Design Engineer with a mechanical and engineering consulting firm in 1980. In 1981, he joined a Brunei based engineering company specialising in air-conditioning system. He gained his operational industrial experience during his employment with this company and was largely involved in project tendering, management and supervision of on-going projects. He returned to Malaysia after two (2) years and joined Entech Engineering Sdn Bhd as Sales Engineer, specialising in HVAC controls. Prior to setting up MESB in 1986, he was a Project Sales Engineer with George Kent (M) Berhad.

He does not hold any other directorship in other public company.

He has no family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 24 to the Financial Statements. He had no convictions of any offences in the past 10 years. He is a major shareholder of the Company.

LIEW CHIAP HONG
Executive Director
a Malaysian aged 50

He was appointed as the Executive Director of the Company on 22 March 2004. He is also a member of the Audit Committee and Remuneration Committee. He graduated with a Bachelor of Engineering (Honours) degree from Universiti Malaya. He is a member of Institution of Engineers, Australia, MIE Aust. CP Eng (Chartered Professional Engineer). Upon graduation in 1979, he joined Jabatan Kerja Raya as a State Engineer in charge of projects and maintenance of mechanical building services in government building. In 1982, he joined Group Associated Engineers Sdn Bhd as a Design Engineer. In 1984, he joined Kejuruteraan Bintai Kindenko Sdn. Bhd. as a Mechanical Engineer. Thereafter in 1985, he joined GAE-Trane Sdn. Bhd. as a Marketing Executive and underwent six (6) months intensive training in Sales, HVAC and BAS course in Trane Co. Headquarters in La Crosse, Wisconsin, U.S.A. In 1987, he started a partnership in Benmarl Sdn Bhd to handle mechanical engineering projects. In 1989, he started a partnership in Quest Technology Sdn Bhd to design, supply and install filtration for indoor air quality and gas turbine, dust collection system and clean room system for electronics, pharmaceutical facilities and hospitals. He underwent air-filtration, dust collection and clean room technology courses conducted by the Farr Company in EL Segundo, California. With his vast experience in the electronics, commercial and industrial sectors, he was invited in October 2000 to participate in the growth of MESB in the fast growing high technology sector in the Asia Pacific region.

He does not hold any other directorship in other public company.

He has no family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 24 to the Financial Statements. He is a major shareholder of the Company.


LEE FOK CHONG

Independent Non-Executive Director
a Malaysian aged 55

He was appointed as the Independent Non-Executive Director of the Company on 7 April 2004. He is also the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee. He has more than twenty (20) years of working experience in Finance, Accounting & Administration and has held various senior positions in a number of large organisations. He is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom, a Member of Malaysian Institute of Accountants and a Member of the Chartered Institute of Marketing, United Kingdom. He has been a regular speaker for various institute of training including The National Productivity Centre, The Malaysian Institute of Management and The Malaysian Institute of Accountants. He has also been conducting the Suruhanjaya Syarikat Malaysia training for company directors, especially in the topic of corporate governance. During 1991 to 1996, he had also lectured in Finance and Accounting for the MBA Distance Learning Programme of The University Of Strathclyde, Glasgow, UK. He was a visiting lecturer in 2002-2003 for a distance learning MBA programme in the People's Republic of China, and has lectured in Tianjin, Shenzhen and Guangzhou. He is the founder and Chief Executive Officer of Applied Intellect Management Training Sdn Bhd, a company in operation since 1997 and providing quality and practical training courses for both the private as well as the public sectors.

He does not hold any other directorship in other public company.

He has no family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

SUBHI BIN HJ DZIYAUDDIN

Independent Non-Executive Director
a Malaysian aged 42

He was appointed as the Independent Non-Executive Director of the Company on 22 March 2004. He is also the Chairman of Nomination Committee and members of Audit Committee and Remuneration Committee. He graduated with a Bachelor of Science Degree in Engineering Physics from the University of Texas, El Paso, Texas, USA. Upon graduation in 1988, he started his career as a Pilot Trainer with the Royal Malaysian Air Force Flying School in Kepala Batas, Alor Setar, Kedah with the rank of Lieutenant. After spending a few years in the air-force, he left the air-force for the corporate world in 1994 when he joined Indah Water Konsortium Sdn Bhd ("IWK") as the Senior Manager, Entrepreneur Development Program Department. In November 1995, he left IWK to join Puncak Niaga (M) Sdn Bhd as the General Manager, Special Projects and subsequently resigned in 2003. He was directly involved and played a vital role in the successful listing of Puncak Niaga Holdings Berhad ("Puncak Niaga") on the Main Board of BMSB in 1997. He later joined Malaysian Resources Corporation Berhad ("MRCB") in February 1999 as the Director, Special Projects. He left MRCB in January 2000 for Puncak Niaga and was appointed as a Director in Puncak Niaga Overseas Capital Sdn Bhd, a subsidiary of Puncak Niaga.

Currently he holds directorship in eB Capital Berhad.

He has no any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.



AMIRUDIN BIN MOHD BARIA

Independent Non-Executive Director
a Malaysian aged 48

He was appointed as the Independent Non-Executive Director of the Company on 6 August 2004. He is also a member of the Audit Committee and Remuneration Committee. He graduated with a Bachelor of Business Administration majoring in Marketing from the University of Wisconsin, USA. Upon graduation in 1987, he started his career as a marketing and credit officer with Arab Malaysia Credit Berhad. After spending a few years in the banking industry, he joined Zenith Corporation as a marketing manager. In 1994, he joined Nam Consultant as manager. During the period from February 1997 to December 1999, he was appointed as the private secretary to YB. Dato' Seri Mohd Najib bin Tun Abd Razak. In December 1999, he returned to Nam Consultant.

He does not hold any other directorship in other public company.

He has no family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

LI JI CHANG

Non-Independent Non-Executive Director
a citizen of People's Republic of China, aged 44.

He was appointed as the Independent Non-Executive Director of the Company on 28 December 2004 and redesignated to Non-Executive Director on 29 April 2005. He graduated with a MBA in management from Shan Dong University, China. He started his career as an officer at Qing Dao State Government. After spending a few years in the state government, he left for the corporate world in 1995 and joined Siemens Building System, Germany as the regional Manager in China. In 1998, he joined Siebe Environmental Controls, USA as the regional manager in China. In 2000, he joined Infocon (Beijing) Environment Technology Controls Company Limited as the regional manager in China. In 2001, he joined Tridium Inc, USA as Vice President and Chief Representative for China.

He does not hold any other directorship in other public company.

He has no family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

Chairman's Statement



On behalf of the Board of Directors of MGB, I am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 31 December 2005.

OVERVIEW

Malaysia's real gross domestic product expanded by 5.3% in 2005, notwithstanding persistent high crude oil prices and the cyclical downturn in the global electronics industry. The expansion was mainly private-sector driven and was underpinned by supportive macroeconomic policies and favourable financial conditions. Private consumer demand was sustained at a strong pace. In managing the economy, public policy in 2005 focused on accelerating the shift towards higher value-added activities, strengthening the business environment to develop new sources of growth and enhancing competitiveness.

The Malaysian ICT industry has shown signs of recovery from the economic downturn that has been affecting its performance since the contagion effect spread to the country in 1998. Market billings have stabilised and are expected to grow higher in tandem with the economic revival in a number of service-centric sectors. In 2005, Malaysian ICT spending amounted to RM31.9 billion which represented an increase of 10% compared to the previous year. The communications segment lead with RM21.7 billion in spending or 67.9% of the total ICT spending. Both hardware and software registered total spending of RM5.7 million and RM2.7 million respectively. In the same year, Malaysians spent RM1.9 billion for IT services. As the Malaysian economy is expected to enjoy a health growth in 2006, ICT spending is expected to achieve a growth rate of 12%.

In 2005, the Group secured 25 new local projects worth RM48 million compared to 16 projects worth RM32 million in 2004. For the overseas market, the Group has won 2 prominent projects in Vietnam and India worth RM12 million.

On its geographical market expansion, MGB has entered into China and India through the setting up of local subsidiaries. The Group also is planning to penetrate the Pakistan and Middle East region in the near future through strategic alliances with local reputable representatives.

FINANCIAL REVIEW

For the financial year ended 31 December 2005, the Group recorded a revenue of RM84.5 million and profit after tax of RM9.2 million. The Group recorded net earnings per share of 3.3 sen for the year.

The Group's revenue for the current financial year has dropped by RM59.7 million or 41% as compared to RM144.2 million (on proforma basis) in the previous financial year while the profit before taxation decreased by RM0.5 million or 4% from RM13.3 million (on proforma basis) to RM12.8 million.

The drop in revenue was mainly due to slower progress claim certificates received for projects in progress and smaller scale projects being recognized during the financial year. However, the 4% drop in the profit before taxation was mainly due to the improvement in gross profit margin as a result of the completion of higher profit margin projects and improvement in operating profit due to costs cutting measures and better budgetary control implemented by the Group during year 2005.

DIVIDENDS

The Company paid a total gross dividend of 6% for the financial year ended 31 December 2004.

Subject to shareholders' approval, the Board has recommended a final gross dividend of 3% for the financial year ended 31 December 2005.



CORPORATE DEVELOPMENTS

On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited ("MMBCL") in the People's Republic of China ("PRC") with a total registered capital of USD1,250,000 via the subscription of 1,250,000 shares of USD1.00 each. The principal activities of MMBCL are design, production and sale of engineered systems for the Information, Communication and Technology industry, specializing in integrated building management system and telecommunication system.

On 25 July 2005, the Company acquired a 70% foreign subsidiary, Metronic Engineering Private Limited ("MEPL") in India. The principal activities of MEPL are design, production and sale of engineered systems for the Information, Communication and Technology industry in India, specialising in intelligent building management system and integrated security management system.

On 4 September 2005, the Company established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates ("UAE"). The Service License issued by the Dubai Airport Free Zone Authority is valid from 4 September 2005 to 3 September 2006. The purpose of the branch office is to register the Company's interest and to carry out the Company's business activities in Dubai, UAE.

On 14 April 2006, the Company signed a Joint Venture cum Shareholders' Agreement with iCare Health Services Pte Ltd to co-operate and collaborate on health care services via a joint venture company known as Metronic iCares Sdn Bhd (formerly known as Success Knowledge Sdn Bhd) ("MiCARES") which was incorporated on 20 March 2006. The Company will hold 51% equity interest in MiCARES via a subscription of 51 ordinary shares of RM1.00 each in MiCARES for a total cash consideration of RM51.

On 14 April 2006, MGB wrote to Vincent Loy Ghee Yaw and Chen Kong Kheng ("Vendors"), the shareholders of Ariantec Sdn Bhd ("ASB") to confirm its interest to acquire 200,000 ordinary shares of RM1.00 each in ASB representing 40% of the existing issued and paid-up share capital of ASB for a purchase consideration of RM5.40 million to be satisfied by the issuance of 12,600,000 new MGB Shares at an issue price of RM0.30 per MGB Share and cash payment of RM1.62 million ("the Offer"). The Vendors had on even date accepted the Offer. The principal business activity of ASB is the provision of turnkey solutions on network infrastructure and security management.

RESEARCH AND DEVELOPMENT ("R&D")

The Group continuously strives to pursue engineering and technological advances through the use of human creativity. To maintain its competitiveness in the market, the Group places strong emphasis on R&D to achieve quality improvement, enhance features and capabilities. During the financial year ended 31 December 2005, the Group spent RM458,179 on R&D. The Group is committed to continuous R&D efforts to keep abreast of market developments, market trends and to enable it to tap into new markets and to ensure the long-term sustainability of its businesses. The Group also rides on the existing platform of its products and develops products that have solid conceptual and architectural foundation to support any future development requirements.

The Group's main technology expertise lies in the customisation of the Java Based Control and Monitoring Software ("JBCM") used to monitor, control, schedule, trend and/or alarm objects within diverse, embedded systems in real time via a thin client. The JBCM™ is an open architecture technology originally designed for the use on web-based applications by Tridium Inc, USA. JBCM is designed to support heterogeneous protocols and data models. In other words, the key to JBCM systems is its interoperability which is defined as "ability to integrate products from one or more vendors into solutions without the need to develop custom hardware, software or tools".



In addition, the Group has diversified its R&D activity through signing a Power Line Communication ("PLC") Products Development Agreement with Planet System Co. Ltd ("Planet"), a Korean company involved in the research and development of PLC technology and in the production of the PLC transceiver and Home Network solutions, to jointly develop PLC products.

For the year 2006, the Group plans to develop application, products and system development which comprise the following:

- a. Enhancement and further development of JBCM which comprises maintenance management, help desk, facility booking, visitor management, facility monitoring, time and attendance and drawing management.
- b. Development of Direct Digital Controller. When programmed using JBCM software, or loaded with a pre-engineered application, these controllers provide control for air-conditioning packaged units, heat pumps, air handling units, fan coils, unit ventilators, and similar applications. Controllers feature Sensor Link support, LED indication, screw terminal blocks, as well as DIN rail or panel mounting ability. These controllers can function in either standalone mode or as part of a LON WORKS, BACNet or MODBUS communications network.
- c. Development of PLC technology and in the production of the PLC transceiver and Home Network solutions for the PLC products.
- d. Development of an integrated e-healthcare infrastructure that enables healthcare information, transactions and processes be seamlessly shared across various healthcare service providers, insurance companies, multinational corporation as well as government ministries.

PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO") EXERCISE

Up to 31 December 2005, the Group had utilised RM11.91 million or 79.88% of the RM14.91 million raised from the IPO exercise in 2004.

PROSPECTS FOR 2006

The Group has been actively embarking on its geographical expansion strategies especially in China, India, Vietnam, Pakistan and Middle East countries. Thus far, the Group has successfully secured several overseas projects in China, India, Vietnam and Saudi Arabia. The Group expects a positive contribution of revenue from the overseas market for the forthcoming year.

The Group is also continuously undertaking research and development to expand its product range as well as to enhance the marketability of its products and services by working closely with its strategic partners. In view of the order book for both local and overseas projects, coupled with the Company's effort to embark on various marketing strategies and commitment to improve operational efficiency, the Directors are of the opinion that the Group should be able to maintain its performance in accordance to expectations for the next financial year ending 31 December 2006.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to record my sincere appreciation to all our valued customers, business associates, financial institutions and relevant government authorities for their assistance, continued support and confidence.

My sincere thanks to my fellow board members for their invaluable contribution and heartfelt appreciation to the management and staff for their unwavering dedication and hardwork.

ON BEHALF OF THE BOARD

Tan Sri Dato' Kamaruzzaman bin Shariff
Executive Chairman

The Board of Directors (“the Board”) of Metronic Global Berhad (“MGB or the Company”) and its subsidiaries (“the Group”) is committed in ensuring that the highest standards of corporate governance are observed and consistently practiced throughout the group as a fundamental part of discharging its responsibility to protect and enhance shareholders value and financial performance of the Group.

The Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) require a listed company to apply the Principles and Best Practices of the Malaysia Code on Corporate Governance (“the Code”) to raise standards of corporate governance. Measures to implement and adopt the principles and best practices in conjunction with the listing requirements are continuously being carried out.

The Board confirms that the Group has applied the principles in Part 1 of the Code, as well as the best practices set out in Part 2 of the Code with regards to the financial year under review.

The following statement describes how the principles of best practices have been applied.

A. THE BOARD OF DIRECTORS

1) Duties of the Board

An experienced Board leads and maintains full and effective control over the Group's activities. It guides the Group on its short and long term goals, setting objectives and directions, reviewing and adopting strategic plans, overseeing the conduct of the business and managing the Group.

All board members participate fully in decisions on key issues involving the group which include approval of major investments, financial decisions, annual budgets and in establishing key policies and procedures.

2) Composition of the Board

The Board of MGB currently consists of eight (8) members, of whom three (3) members of the Board are Independent Non-Executive Directors.

The Board has within it professionals drawn from varied backgrounds bringing in considerable knowledge and expertise to the Group. The Board is assured of balance and independent view at all board deliberation due to the presence of its Independent Non-Executive Directors who are independent of the management and substantial shareholders of the company and are free from any dealings or relationships which could interfere with the exercise of their independent judgement.

The composition of the Board shall be reviewed on an annual basis by the Nomination Committee to ensure the Board has the required mix of skills, expertise, attributes and core competencies to discharge its duties effectively.

There is clear division of responsibility between the Executive Chairman, the Group Managing Director and Executive Directors to ensure there is a balance of power and authority.





3) Board Meeting and Supply of Information

Board meetings are scheduled at quarterly intervals with additional meetings convened as and when necessary. During the year under review five (5) board meetings were held and the respective attendance are as follows:

Directors	Designation	Attendance of Board Meeting 2005					Total
		28/2/05	28/5/05	10/6/2005	30/8/05	29/11/05	
Tan Sri Dato'	Executive	0	0	0	0	0	5
Kamaruzzaman bin Shariff	Chairman						
Dato' Abd Gani bin Yusof	Executive Vice Chairman	0	0	*	0	0	4
Dr. Ng Tek Che	Group Managing Director	0	0	0	0	0	5
Liew Chiap Hong	Executive Director	*	0	0	0	0	4
Lee Fok Chong	Independent Non- Executive Director	0	0	0	0	0	5
Subhi bin Hj Dziauddin	Independent Non- Executive Director	*	0	*	0	0	3
Amirudin bin Mohd Baria	Independent Non- Executive Director	0	0	0	0	*	4
Li Ji Chang	Non-Independent Non- Executive Director	*	0	*	0	0	3

o-Present

* - Absent with apologies

N/A - Not applicable

The Board is provided with agendas and board papers prior to board meetings. The Board papers includes minutes of previous meeting, quarterly financial results, progress reports of Group businesses, strategic proposals, regulatory and audit report for the Board's review and approval.

These documents are issued in advance to enable the Board to seek clarifications from the management to enable effective discharge of it duties.

The Board Members have access to the advice and services of the Company Secretary and other professionals and all informations in relation to the Group to assist in the furtherance of their duties.

4) Board Committee

The Board has established the following committees which operate within clearly defined terms of reference to assist the Board in executing its duties and responsibilities. The committees are:

i. Audit Committee

The Audit Committee was established on 8 April 2004 to review and monitor the Group's financial results and system of internal controls.

The Committee currently comprises four (4) members of whom three (3) are Independent Non-Executive Directors. The members are:

Members	Designation
Lee Fok Chong (Chairman)	Independent Non-Executive Director
Subhi bin Hj Dziauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director
Liew Chiap Hong	Executive Director

Details of the functions and activities of the committee are set out on pages 28 to 30 of the Annual Report.



ii. Nomination Committee

The Nomination Committee was established on 11 June 2004 with primary responsibility of ensuring that the Board has appropriate balance and size and the required mix of skills, experience and other core competencies and for recommending the appointment of new directors to the Board.

The Committee currently comprises three (3) members, two (2) of whom are Independent Non-Executive Directors. The members are:

Members	Designation
Subhi bin Hj Dziauddin (Chairman)	Independent Non-Executive Director
Lee Fok Chong	Independent Non-Executive Director
Dr. Ng Tek Che	Group Managing Director

During the financial year under review, the committee met once with all members present.

iii. Remuneration Committee

The Remuneration Committee was established on 11 June 2004 to review and recommend to the Board the remuneration package of Executive Directors of the Group with main objective of recommending the level of remuneration attractive enough to attract and retain them to run the Group successfully.

The Group Human Resource and Administration provides comparative remuneration market survey information to the committee and the committee makes recommendation to the Board. The Board as a whole determine their remuneration. No director is allowed to be present in the discussion and voting on his or her own remuneration.

Presently the committee comprises four (4) members, three (3) of whom are Independent Non-Executive Directors. The members are:

Members	Designation
Lee Fok Chong (Chairman)	Independent Non-Executive Director
Subhi bin Hj Dziauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director
Liew Chiap Hong	Executive Director

During the financial year under review the committee met once attended by all members.

iv. Risk Management Committee

A risk management committee was established on 27 December 2005 by the Board to undertake the responsibilities of overseeing the formulation of an effective and efficient risk management framework and policies for the Company and its subsidiaries of which the key element is to ensure correct balancing of risk and control.

The committee is under the purview of the Board. The committee comprises members from amongst the senior management and is headed by the Group Managing Director, Dr Ng Tek Che.

Details of the functions and activities of the committee are set out on pages 31 to 32 of the Annual Report.

5) Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Berhad in compliance with the Listing Requirements. The Board believes that Directors should receive continuous training from time to time and accordingly has provided and encouraged them to attend training and participate in relevant education programme to keep abreast with new development.



6) Retirement and Re-election

In accordance with the Articles of Association all Directors are subject to election by shareholders at the first opportunity following their appointment by the Board.

The Articles also provide that all Directors excluding Managing Director, shall retire by rotation so that each shall retire from office at least once in every three (3) years.

Directors who are seventy years of age are required to submit themselves for re-appointment annually in accordance to Section 129(6) of the Companies Act 1965.

At the forthcoming Annual General Meeting the following Directors who retire in accordance with the Company's Articles of Association, and being eligible have offered themselves for re-election.

- i) Y Bhg Dato' Abd Gani bin Yusof
- ii) Mr. Liew Chiap Hong

B. DIRECTORS' REMUNERATION

A summary of the remuneration of the Directors for the financial year under review, distinguishing between Executive and Non-Executive Directors in aggregate with categorization into appropriate components is set out below:

	Executive Directors	Non- Executive Directors	Total
*Fees (RM)	36,000	72,000	108,000
Salaries and Other Emoluments (RM)	731,281	-	731,281

* Directors' fees for the financial-year is subject to shareholders' approval at the forthcoming Annual General Meeting.

The number of Directors whose remuneration falls into the following bands are:

	Executive Director	Non-Executive Director
Below RM50,000	1	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	1	-

Effective 1 January 2005, all the Executive Directors and certain Non-Executive Directors have accepted a salary cut and fees reduction under the Group cost saving exercise implemented during the year.

C. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Group values dialogue with investors and analysts as a means of effective communication that enables the Board to convey information about latest development of the Group.

The Company's Annual General Meeting provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. At the Annual General Meeting, shareholders are encouraged to question resolutions proposed or the Group's business operations in general.

Apart from the above and the mandatory announcement of the group financial results and corporate developments to Bursa Malaysia Securities Berhad, the Group has also established a website (www.metronic-group.com) to allow public access to group's information, business activities and latest developments and for feedback.



D. ACCOUNTABILITY AND AUDIT

1) Financial Reporting

The Board has ensured that the financial statement have been prepared in accordance to applicable approved accounting standards, the requirements of the Companies Act 1965 and other regulatory provisions. In preparing the financial statement the Board has ascertained that reasonable prudent judgement and estimates have been consistently applied and accounting policies adopted have been complied with.

2) Internal Control

The Statement on Internal Control set out on pages 31 to 32 of the Annual Report provides an overview of the state of internal control within the Group.

3) Relationship with Auditors

Through the Audit Committee, the Board has established a transparent and appropriate relationship with the Group's external and internal auditors in seeking their professional advice and towards ensuring compliance with applicable accounting standards and statutory requirements.

The external and internal auditors do attend the Audit Committee meeting and the external auditors do report to members of the Company on their findings which are included as part of the Company's financial report in respect of the financial year.

4) Directorship Responsibility Statement for the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

In preparing those financial statements, the Directors are required to:-

- a) use appropriate accounting policies and consistently apply them;
- b) make judgements and estimates that are reasonable and prudent; and
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with the Companies Act, 1965.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2005, the Group has used the appropriate accounting policies and applied them consistently and prudently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirm that the financial statements have been prepared to give a true and fair view of the financial state of affairs of the Group.

E. OTHER INFORMATION

The following information provided is in respect of the financial year ended 31 December 2005.

Utilization of Proceeds

As at 31 December 2005, the status of utilization of the proceeds of RM14.91 million raised by the Company from its initial public offerings is as follows:-

Purpose of Proceeds utilization	Proposed Amount utilized as at 31.12.2005	Amount unutilized
RM'000	RM'000	RM'000
Repayment of bank borrowings	5,000	-
Capital expenditure for office expansion	2,600	-
R&D expenditure	3,000	2,637
Working capital	3,110	-
Listing expenses	1,200	-
	14,910	2,637



Share Buybacks

During the financial year, there were no share buybacks by the Company.

Options, Warrants or Convertible Securities

During the financial year, no options, warrants or convertible securities were issued by the Company.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2005 was RM12,000. The fee was related to the professional services rendered in respect of the Group's proposed acquisition exercise in 2005 which was withdrawn.

Variation in Results

There is no material variance between the audited results and the previously announced unaudited results for the financial year ended 31 December 2005.

Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

Material Contracts

There were no material contracts involving the interest of the Directors and major shareholders of the Company other than those disclosed in the Related Party Transactions as disclosed in the Note 24 to the Financial Statements.

Contract Relating to Loans

There were no contracts relating to loans by the Company.

Revaluation of Landed Properties

The Group did not revalue its property, plant and equipment and does not have a policy on the revaluation of the landed properties.

Recurrent Related Parties Transactions

The Shareholders' of MGB had at the Second (2nd) Annual General Meeting held on 15 June 2005 granted their approval on the Shareholders' Mandate for recurrent related party transactions ('RRPTs') for MGB and its subsidiaries ("MGB Group") to enter recurrent transactions of a revenue or trading nature, which are necessary for the day-to-day operations and in the ordinary course of business of the MGB Group, on terms not more favourable to the Related Parties than those generally available to the public, as set out in the Circular to Shareholders dated 20 May 2005.

For the financial year ended 31 December 2005, the aggregate value of transactions entered are as follows:



Companies within the MGB Group	Transacting Parties	Nature of Transactions	Related Parties	Nature of relationship	Aggregate Value of Transaction from January 2005 to December 2005 (RM)
(i) Metronic Engineering Sdn Bhd ("MESB")	MCSB	Rental of office space to MCSB on a monthly basis	<ul style="list-style-type: none"> • Dato' Abd. Gani bin Yusof • Dr. Ng Tek Che • Liew Chiap Hong • MCSB 	Note (a)	12,000
(ii) MESB	Meditechnique	Rental of office space to Meditechnique on a monthly basis	<ul style="list-style-type: none"> • Dr. Ng Tek Che 	Note (b)	24,000
(iii) MESB	ITG	Purchases of consumable parts from ITG	<ul style="list-style-type: none"> • Liew Chiap Hong 	Note (c)	1,707,578
(iv) MESB	ICSB	Contract and maintenance revenue receivable from ICSB in respect of projects tendered	<ul style="list-style-type: none"> • Dato' Abd. Gani bin Yusof 	Note (d)	-
(v) MESB	MHP	Contract and maintenance revenue receivable from MHP in respect of e-project management of mechanical and electrical services for Sultan Ismail Hospital in Johor Bahru and Alor Setar Hospital in Kedah	<ul style="list-style-type: none"> • Tan Sri Dato' Kamaruzzaman bin Shariff • Dato' Abd. Gani bin Yusof 	Note (e)	44,346,895
(vi) Metronic Integrated System Sdn Bhd ("MISSB")	MCSB	Provision of accountancy services to MCSB	<ul style="list-style-type: none"> • Dato' Abd. Gani bin Yusof • Dr. Ng Tek Che • Liew Chiap Hong • MCSB 	Note (a)	60,000
(vii) MISSB	Meditechnique	Provision of accountancy services to Meditechnique	<ul style="list-style-type: none"> • Dr. Ng Tek Che 	Note (b)	24,000

Notes:

- (a) Metronic Corporation Sdn Bhd ("MCSB") is a Major Shareholder of MGB. Dato' Abd. Gani bin Yusof, Dr. Ng Tek Che and Liew Chiap Hong who are Directors of MGB, are also directors and shareholders of MCSB, with shareholdings of 58%, 22% and 20% respectively.
- (b) Dr. Ng Tek Che, who is a Director of MGB, is also a director and shareholder of Meditechnique Sdn Bhd ("Meditechnique") with a shareholding of 49%.
- (c) Liew Chiap Hong, who is a Director of MGB, is also a director of ITG Worldwide (M) Sdn Bhd ("ITG") with a shareholding of 51%.
- (d) Dato' Abd. Gani bin Yusof, who is a Director of MGB, is also a Director and shareholder of Integrated Commerce Sdn Bhd ("ICSB") with a shareholding of 51%.
- (e) Tan Sri Kamaruzzaman bin Shariff and Dato' Abd. Gani bin Yusof, who are Directors of MGB, are also directors of MH Projects Sdn Bhd ("MHP").

Audit Committee Report

The Audit Committee of the Metronic Global Berhad ("MGB" or "the Company") and its subsidiaries ("the Group") was established by a resolution of the Board of Directors ("the Board") on 8 April 2004. The Committee, operating within a specific terms of reference, was established to assist the Board of the Group in the discharge of their duties and responsibility.

The Audit Committee meets regularly with the senior management and the internal auditors to review the Group's operations, financial report and the system of internal controls and compliance.

A. MEMBERS

Members of the Audit Committee during the financial year ended 31 December 2005 are as follows:

Members	Designation
Lee Fok Chong (Chairman)	Independent Non-Executive Director
Subhi bin Hj Dziyauddin	Independent Non- Executive Director
Amirudin bin Mohd Baria	Independent Non- Executive Director
Liew Chiap Hong	Executive Director

B. TERMS OF REFERENCE

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

1) Composition

The Audit Committee shall be appointed by the Board from amongst their members and shall comprise at least three directors, a majority of whom shall be Independent Directors. The Chairman who shall be elected from amongst members of the Committee shall be an Independent Non-Executive Director. At least one member of the Committee must be a member of the Malaysian Institute of Accountants. If he is not a member of Malaysian Institute of Accountants he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad.

No alternate director may be appointed as a member of the Committee.

In the event of any vacancy in the committee resulting in the number being reduced to below three, the Board shall within three months of that event fill the vacancy.

The Board will review the terms of office and the performance of the Audit Committee and its members at least once every 3 years.

2) Objective

The principal objective of the Committee is to assist the Board in discharging its statutory duties.

The Committee shall assist the Board in the following aspect:

- i) Review the adequacy and integrity of the Group's internal control systems, management information system including system of compliance with applicable laws, regulations, rules, directives and guidelines.
- ii) Ensure that the risk management framework to manage material risk is in place and adhered to.

3) Authority

The Committee shall have the authority to investigate any matter within its terms of reference with full and unrestricted access to all the Group's records, properties and personnel.

The Committee is authorized and shall be entitled to obtain independent professional or other advice to assist in executing its duties.

4) Meetings

The Committee shall meet at least four (4) times a year to coincide with the review of the quarterly and annual financial statement prior to presentation to the Board for approval. Additional meetings may be called as and when necessary at the discretion of the Chairman of the Committee.



In order to form a quorum the majority of members present must be independent.

Other members of the Board and senior management, internal and external auditors may attend meeting upon invitation by the Audit Committee.

5) Secretary

The Company Secretary shall be the secretary of the Committee and be responsible for drawing up agendas in consultation with the Chairman.

The agenda together with the relevant documents shall be circulated to the committee members, one week prior to each meeting.

The Company Secretary shall be responsible for recording attendance, keeping minutes of meetings and circulating to committee members and members of the Board.

6) Duties and Responsibilities

In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities:

- i) Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- ii) Review the adequacy of the internal audit scope and plan, functions and resource of the internal audit function and that it has the necessary authority to carry out its work.
- iii) Review the external and internal audit reports to ensure that appropriate and prompt remedial actions are taken by the management on major deficiencies in controls or procedures that are identified.
- iv) Review the major audit findings and the management's responses during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.

- v) Review the assistance given by the Group's employees to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- vi) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- vii) Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- viii) Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditor's evaluation of the said systems.
- ix) Direct and where appropriate monitor any special projects or investigation considered necessary, and review investigation report on any major defalcation, fraud and theft.
- x) Review the quarterly results and the year-end financial statements, prior to the approval by the Board focusing particularly on:
 - changes in or implementation of major accounting policy;
 - significant or unusual events;
 - significant adjustments from audit; and
 - compliance with accounting standards and other legal requirements.
- xi) Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raise questions on management integrity.
- xii) Monitor organizational compliance with statutory and Listing Requirements of Bursa Malaysia Securities Berhad.
- xiii) Any other activities, as authorized by the Board.



C. SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

During the financial year ended 31 December 2005, the Audit Committee convened five (5) meetings. Details of the attendance of the committee members are as follows:

Members	No. of meetings held during the year	No. of meetings attended	%
Lee Fok Chong	5	5	100
Subhi bin Hj Dziyauddin	5	4	80
Amirudin bin Mohd Baria	5	4	80
Liew Chiap Hong	5	4	80

The meetings were appropriately structured through the use of agendas and meetings papers, which were distributed to members with sufficient notice.

In line with the terms of reference, the following activities were carried out by the Audit Committee during the financial year under review:

- i) Review the group's quarterly, half yearly and year end results with the external auditors prior to submission to the Board for consideration and approval.
- ii) Review the audit plan presented by the external auditors prior to their annual audit as to their scope of work and strategy.
- iii) Review the annual audit plan prepared by the internal auditors to ensure adequate scope and coverage on their activities.
- iv) Review internal audit report prepared by the internal auditors especially with regards to issues raised, recommendations made and management's response to their recommendation.
- v) Review the risk assessment reports prepared by the internal auditor and the recommendations made.
- vi) Review the related party transactions as required to be disclosed by the Listing Requirements of Bursa Malaysia Securities Berhad.
- vii) Review the performance of the external auditors and recommendations made to the Board.

D. INTERNAL AUDIT FUNCTION

The Group has appointed a professional firm of qualified accountants to undertake the internal audit function.

The role and responsibilities of the internal audit function are as follows:

- i) To undertake independent and regular reviews of the system of internal controls and give assurance that such system continues to operate satisfactorily and effectively.
- ii) To review the risk identification and evaluation process and ensure controls implemented by the management are consistent with the Group's risk management policy.

The Internal Auditors have carried out their duties in accordance with its terms of reference and the annual audit plan was approved by the Audit Committee and the Board.





The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets.

The Board of Directors ("the Board") of Metronic Global Berhad is pleased to provide the following statement, which outlines the nature and scope of internal controls of the Group during the financial year ended 31 December 2005

1. BOARD'S RESPONSIBILITY

The Board recognizes the importance of sound internal controls and risk management practice for good corporate governance. The Board acknowledges that it is responsible for the Group's System of Internal Control and for reviewing its adequacy and integrity.

It should be noted that due to the inherent limitations, the system is designed to manage rather than eliminate the risk of failure to achieve Group's business objectives and accordingly, can only provide reasonable and not absolute assurance against material misstatement and loss.

2. RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an on-going process of reviewing identifying, evaluating and managing significant risks faced by the Group.

A risk management committee ("RMC") has been established on 27 December 2005 by the Board to undertake the responsibilities of overseeing the formulation of an effective and efficient risk management framework and policies for the Company and its subsidiaries of which the key element is to ensure correct balancing of risk and control. The committee is under the purview of the Board.

The committee comprises members from amongst the senior management and is headed by the Group Managing Director, Dr Ng Tek Che.

The duties of RMC generally cover but not limited to the following areas:-

- Oversee the overall management of all risks covering strategic risk, financial risk, operational and compliance risk.
- Establish risk management guidelines
- Evaluate the structure for the Group risk management, process and support system
- Carry risk evaluation on:-
 - i) any capital expenditure proposed by the Group
 - ii) all business ventures into new areas of business and any investment outside Malaysia
 - iii) any transaction which carries exceptional items, conditions or obligations including contingent obligations
- Review and approve action and contingency plans developed to mitigate key risks.
- Advise the Board on risk related issues and recommend strategies, policies, and risks tolerance for Board approval.



The RMC is endowed with the following rights and authority to enhance its effectiveness:

- Authority to investigate any matter within the terms of reference
- Rights to resources which are required to perform its duties
- Full and unrestricted access to any information pertaining to the company
- Direct communication channels with appropriate personnel and/or parties.
- Rights to convene meetings with auditors and / or consultants.

The RMC members shall meet on regular basis. Other members of the management, staff and or consultants may attend the RMC meeting upon invitation. Issues discussed, proceedings and conclusions shall be recorded and recommendations shall be made to the Board.

3. INTERNAL AUDIT FUNCTION

The internal audit function is presently outsourced to a public accounting firm. The internal auditors prepare an annual audit plan, provide independent reviews on risk management and control processes implemented by the management and report to the Audit Committee which reviews the adequacy, integrity and effectiveness of the system of internal control.

During the year under review, the internal auditors have completed four (4) cycles of internal audit and the findings have been communicated to the management of the Group and the Audit Committee. The Audit Committee reviewed the reports from internal auditors and responses from the management before reporting the findings and making recommendations to the Board in strengthening the system of internal control.

4. OTHER INTERNAL CONTROL PROCESSES

The Group's other key Internal Control processes are as follows:

- i) There is an organisation structure with well-defined reporting lines of responsibility and accountability and delegation of authority.

- ii) Documented policies and procedures are updated regularly to reflect changing operational risks. The Board approves appropriate responses or amendments in the Group's policies.

- iii) The Audit Committee comprises three (3) Independent Non-Executive Directors and one (1) Executive Director. The Audit Committee was established with a view to assist and to provide the Board with added focus in discharging its duties.

- iv) Quarterly results are reviewed by the Board and the Audit Committee before announcement to the Bursa Securities.

- v) There is regular management meetings attended by executive directors to discuss and report on operational performance, business strategy, key, operating statistics, legal and regulatory matters of each business unit.

- vi) An annual budgeting process is in place where each business unit is required to prepare its operating budget for the forthcoming year. The budgets are reviewed by the management and approved by the Board. Actual performance compared with the budget is prepared and reviewed by the management during the monthly management meeting.

- vii) The Group's principal operating subsidiary, Metronic Engineering Sdn Bhd is ISO 9001:2000 accredited. Its employees are guided by the Quality Manual where standard operating procedures are to be followed. In addition to the periodic external ISO audit, internal audit is carried out on semi-annual basis where the findings or issues are documented and deliberated by the management team in the management review meetings.

5. CONCLUSION

There was no significant breakdown or weakness in the system of Internal Control of the Group that resulted in material losses or contingencies for the year under review. The Board and the management will continually review and improve the existing risk management processes and internal control system to ensure their adequacy and effectiveness in the dynamic business environment.

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system and engineering equipment. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	9,249,354	1,729,387

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the acquisition of a subsidiary as disclosed in Note 9 to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 were as follows:

	RM
Final dividend of 3% less 28% income tax in respect of the financial year ended 31 December 2004 as reported in the directors' report of that year, paid on 29 July 2005;	612,447
Interim dividend of 3% less 28% income tax in respect of the financial year ended 31 December 2005, declared on 30 August 2005 and paid on 30 September 2005.	612,447

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 3% less 28% income tax on 283,540,000 ordinary shares, amounting to a dividend payable of RM612,447 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.



DIRECTORS

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

Tan Sri Dato' Kamaruzzaman bin Shariff
Dato' Abd. Gani bin Yusof
Subhi bin Hj Dziauddin
Dr Ng Tek Che
Liew Chiap Hong
Lee Fok Chong
Amirudin bin Mohd Baria
Li Ji Chang

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the date of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for as disclosed in Note 24 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Ordinary shares of RM0.10 each			As at 31.12.2005
	As at 1.1.2005	Bought During the year	Sold	
Direct Interest:				
Dato' Abd. Gani bin Yusof	48,419,780	16,262,670	-	64,682,450
Dr Ng Tek Che	18,263,600	13,134,165	(7,000,000)	24,397,765
Liew Chiap Hong	18,263,600	13,134,165	(7,000,000)	24,397,765
Indirect Interest:				
Dato' Abd. Gani bin Yusof	127,593,000	-	(42,531,000)	85,062,000
Dr Ng Tek Che	127,593,000	-	(42,531,000)	85,062,000
Liew Chiap Hong	127,593,000	-	(42,531,000)	85,062,000

By virtue of their interests in the shares of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong are also deemed to have an interest in the shares of all subsidiaries of the Company to the extent the Company has an interest.

None of the other directors holding office at 31 December 2005 had any interest in the ordinary shares in the Company or its related corporations during the financial year.



OTHER STATUTORY INFORMATION

- a) Before the income statement and balance sheet of the Group and of the Company were made out, the directors took reasonable steps:
- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and adequate allowance has been made for doubtful debts; and
 - ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the directors are not aware of any circumstances which would render:
- i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in respect of the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e) As at the date of this report, there does not exist:
- i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
 - ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- f) In the opinion of the directors:
- i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENTS

- a) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.



OTHER SIGNIFICANT EVENTS (CONT'D)

- b) On 25 July 2005, the Company acquired a total of 7,000 ordinary shares of Indian Rupee ("Rs") 10 each in Metronic Engineering Private Limited, representing 70% of its issued and paid up share capital for a total cash consideration of Rs 70,000 (or approximately RM6,237 at an exchange rate of Rs11.2233:RM1.00).

Metronic Engineering Private Limited increased its ordinary share capital from 10,000 to 100,000 at Rs10 each during the period. The Company further subscribed 63,000 of the ordinary shares at Rs10 each for a cash consideration of Rs 630,000 (or approximately RM53,948), thus maintaining its 70% equity interest in Metronic Engineering Private Limited.

- c) The Company established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates ("UAE") during the financial year. The Service Licence issued by the Dubai Airport Free Zone Authority to the Company is valid from 4 September 2005 to 3 September 2006.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- a) On 14 April 2006, the Company signed a Joint Venture cum Shareholders' Agreement with iCare Health Services Pte Ltd to co-operate and collaborate on the health care services via a joint venture company known as Metronic iCare Sdn Bhd (formerly known as Success Knowledge Sdn Bhd) which was incorporated on 20 March 2006. The Company will hold 51% equity interest in Metronic iCares Sdn Bhd via a subscription of 51 shares of RM1 each for a total cash consideration of RM51.
- b) On 14 April 2006, MGB wrote to shareholders of Ariantec Sdn Bhd to confirm its interest to acquire 200,000 ordinary shares of RM1.00 each in Ariantec Sdn Bhd representing 40% of the existing issued and paid-up share capital of Ariantec Sdn Bhd from the current shareholders. The current shareholders have on even date accepted the offer. The principal business activity of Ariantec Sdn Bhd is the provision of turnkey solutions on network infrastructure and security management.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan
26 April 2006



Statement by Directors

pursuant to section 169(15) of the
companies Act, 1965

We, Dato' Abd. Gani bin Yusof and Dr Ng Tek Che, being the directors of Metronic Global Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 70 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan
26 April 2006



Statutory Declaration

pursuant to section 169(16) of the
companies Act, 1965

I, Dr Ng Tek Che, being the director primarily responsible for the financial management of Metronic Global Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 70 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovementioned Dr Ng Tek Che
at Petaling Jaya, Selangor Darul Ehsan
on 26 April 2006

Dr Ng Tek Che

Before me,



Report of The Auditor

to the members of Metronic Global Berhad
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 40 to 70. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of a subsidiary of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/07 (J)
Partner

Kuala Lumpur, Malaysia
26 April 2006

Income Statements

for the year ended 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	004 RM
Revenue	3	84,473,902	115,205,846	3,000,000	900,000
Cost of sales	4	(60,928,651)	(91,299,887)	-	-
Gross profit		23,545,251	23,905,959	3,000,000	900,000
Other operating income		494,339	3,026,795	66,482	69,895
Administration expenses		(1,971,649)	(3,097,972)	(291,138)	(220,819)
Other operating expenses		(9,271,664)	(9,033,111)	(195,393)	-
Profit from operations		12,796,277	14,801,671	2,579,951	749,076
Interest expense		(15,077)	(246,128)	-	-
Profit before taxation	5	12,781,200	14,555,543	2,579,951	749,076
Taxation	6	(3,557,640)	(3,858,133)	(850,564)	(261,700)
Profit after taxation		9,223,560	10,697,410	1,729,387	487,376
Minority interest		25,794	-	-	-
Net profit for the year		9,249,354	10,697,410	1,729,387	487,376
Earnings per share (sen):					
Basic	7	3.26	5.07		
Diluted	7	3.26	5.07		
Net dividends per ordinary share (sen):					
Interim dividend	23	0.22	0.22	0.22	0.22
Final dividend	23	0.22	0.22	0.22	0.22

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

Balance Sheets

as at 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	8	12,848,633	9,148,154	-	-
Investment in subsidiaries	9	-	-	26,281,942	21,470,382
Other investments	10	414,149	219,384	-	-
Development costs	11	458,179	-	-	-
Deferred tax assets	17	1,341,000	1,140,000	-	-
		<u>15,061,961</u>	<u>10,507,538</u>	<u>26,281,942</u>	<u>21,470,382</u>
CURRENT ASSETS					
Inventories	12	5,386,059	1,527,301	-	-
Trade receivables	13	68,274,772	71,949,461	-	-
Other receivables	15	1,656,177	1,367,280	5,606,882	8,570,983
Short term deposits	16	6,112,856	10,295,613	-	-
Cash and bank balances		5,243,920	7,317,294	3,282,366	4,659,523
		<u>86,673,784</u>	<u>92,456,949</u>	<u>8,889,248</u>	<u>13,230,506</u>
CURRENT LIABILITIES					
Trade payables	18	39,835,089	50,780,806	-	-
Other payables	19	4,658,728	4,556,148	32,810	62,151
Bank borrowings	20	3,108,818	513,000	-	-
Provision for taxation		1,181,000	2,265,850	-	4,850
		<u>48,783,635</u>	<u>58,115,804</u>	<u>32,810</u>	<u>67,001</u>
NET CURRENT ASSETS					
		<u>37,890,149</u>	<u>34,341,145</u>	<u>8,856,438</u>	<u>13,163,505</u>
FINANCED BY:					
Share capital	21	28,354,000	28,354,000	28,354,000	28,354,000
Share premium		6,406,222	6,406,222	6,406,222	6,406,222
Exchange reserve		83,729	-	-	-
Retained profit/(accumulated losses)		18,108,159	10,083,699	378,158	(126,335)
		<u>52,952,110</u>	<u>44,843,921</u>	<u>35,138,380</u>	<u>34,633,887</u>
Hire purchase creditors	22	-	4,762	-	-
		<u>52,952,110</u>	<u>44,848,683</u>	<u>35,138,380</u>	<u>34,633,887</u>

Statements of Changes in Equity

for the year ended 31 December 2005

	Note	Share capital RM	Share premium RM	Exchange Reserve RM	Retained profit/ (accumulated loss) RM	Total RM
Group						
At 1 January 2004		2	-	-	(1,264)	(1,262)
Issue of shares:						
- Acquisition of subsidiaries		21,253,998	-	-	-	21,253,998
- Pursuant to initial public offering		7,100,000	7,810,000	-	-	14,910,000
Listing expenses		-	(1,403,778)	-	-	(1,403,778)
Net profit for the period		-	-	-	10,697,410	10,697,410
Dividends	23	-	-	-	(612,447)	(612,447)
At 31 December 2004		28,354,000	6,406,222	-	10,083,699	44,843,921
At 1 January 2005		28,354,000	6,406,222	-	10,083,699	44,843,921
Current translation differences		-	-	83,729	-	83,729
Net profit for the year		-	-	-	9,249,354	9,249,354
Dividends	23	-	-	-	(1,224,894)	(1,224,894)
At 31 December 2005		28,354,000	6,406,222	83,729	18,108,159	52,952,110
Company						
At 1 January 2004		2	-	-	(1,264)	(1,262)
Issue of shares:						
- Acquisition of subsidiaries		21,253,998	-	-	-	21,253,998
- Pursuant to initial public offering		7,100,000	7,810,000	-	-	14,910,000
Listing expenses		-	(1,403,778)	-	-	(1,403,778)
Net profit for the year		-	-	-	487,376	487,376
Dividends	23	-	-	-	(612,447)	(612,447)
At 31 December 2004		28,354,000	6,406,222	-	(126,335)	34,633,887
At 1 January 2005		28,354,000	6,406,222	-	(126,335)	34,633,887
Net profit for the year		-	-	-	1,729,387	1,729,387
Dividends	23	-	-	-	(1,224,894)	(1,224,894)
At 31 December 2005		28,354,000	6,406,222	-	378,158	35,138,380

Cash Flow Statements

for the year ended 31 December 2005

	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	12,781,200	14,555,543	2,579,951	749,076
Adjustments for:				
Gain on disposal of property, plant and equipment	(31,338)	(5,671)	-	-
Loss in foreign currency translation	83,729	-	-	-
Gain on disposal of quoted securities	(20,605)	-	-	-
Depreciation of property, plant and equipment	1,105,072	725,080	-	-
Allowance for doubtful debts	650,151	2,342,871	-	-
Write back of allowance for doubtful debts	(196,178)	(149,596)	-	-
Impairment loss on quoted securities	737,279	13,737	-	-
Provision for defect liabilities	544,435	1,845,353	-	-
Negative goodwill recognised	-	(2,564,417)	-	-
Interest expense	15,077	246,128	-	-
Interest income	(281,339)	(268,525)	(66,482)	(69,895)
Operating profit before working capital changes	15,387,483	16,740,503	2,513,469	679,181
Changes in working capital:				
Inventories	(3,858,758)	765,797	-	-
Receivables	4,177,734	2,833,763	2,964,101	(8,202,139)
Payables	(12,493,713)	(4,713,443)	(29,341)	(307,957)
Net cash generated from/(used in) operations	3,212,746	15,626,620	5,448,229	(7,830,915)
Taxes paid	(4,947,450)	(6,579,277)	(855,414)	(256,850)
Interest paid	(15,077)	(246,128)	-	-
Interest received	281,339	268,525	66,482	69,895
Net cash (used in)/generated from operating activities	(1,468,442)	9,069,740	4,659,297	(8,017,870)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired (Note 9)	25,794	1,723,203	(4,811,560)	(216,384)
Development costs	(458,179)	-	-	-
Purchase of property, plant and equipment	(4,851,423)	(3,645,208)	-	-
Proceeds from disposal of property, plant and equipment	77,210	21,915	-	-
Purchase of golf club membership	-	(94,000)	-	-
Investment in marketable securities	(7,482,044)	-	-	-
Proceeds from disposal of marketable securities	6,570,605	-	-	-
Net cash used in investing activities	(6,118,037)	(1,994,090)	(4,811,560)	(216,384)



Cash Flow Statements

for the year ended 31 December 2005
(cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issuance of shares	-	13,506,222	-	13,506,222
Discharge of fixed deposits under lien with licensed bank	(137,243)	1,732,837	-	-
Repayment of bankers' acceptances and trust receipts	(4,011,000)	(18,221,294)	-	-
Drawdown of bankers' acceptances and trust receipts	5,094,500	10,105,333	-	-
Repayment of term loan	-	(1,890,114)	-	-
Dividend paid	(1,224,894)	(612,447)	(1,224,894)	(612,447)
Repayment of hire purchase creditors	(40,576)	(58,895)	-	-
Net cash (used in)/generated from financing activities	(319,213)	4,561,642	(1,224,894)	12,893,775
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,905,692)	11,637,292	(1,377,157)	4,659,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	11,637,294	2	4,659,523	2
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	3,731,602	11,637,294	3,282,366	4,659,523
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	5,243,920	7,317,294	3,282,366	4,659,523
Deposits at call (Note 16)	-	4,320,000	-	-
Bank overdraft (Note 20)	(1,512,318)	-	-	-
	3,731,602	11,637,294	3,282,366	4,659,523



Notes to The Financial Statements

- 31 December 2005

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system and engineering equipment.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The registered office is located at 650, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia.

The number of employees in the Group and in the Company at the end of the financial year were 177 and NIL (2004: 214) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards issued in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition over the cost of acquisition.

Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent the negative goodwill relates to expectation of future losses and expenses that are identified in the plan of the acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

Freehold land is not depreciated.

Leasehold land and buildings are depreciated over the period of the respective leases which range from 50 years to 99 years.

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

Buildings	2%
Renovations	4%
Motor vehicles	20%
Furniture, fittings and equipment	20%

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



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost which is determined on a weighted average basis, includes cost of building automation equipment and parts, computer servers, and other direct cost in bringing the equipment to its present location. Net realisable value represents the estimated selling price.

(f) Engineering Contracts

Where the outcome of an engineering contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of an engineering contract cannot be reliably estimated, contract revenue is recognised to the extent of the contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on engineering contracts, plus recognised profits (less recognised losses), exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is shown as amount due to customers on contracts.

(g) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately.

(h) Investment in Subsidiaries

The Company's investments in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(i) Research and Development

Research expenditure is recognised as an expense when incurred. Costs incurred on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and only if the cost can be measured reliably. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Research and Development (cont'd)

Development costs that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on the straight line basis over the period of their expected benefit, not exceeding a period of 5 years.

(j) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(k) Foreign Currencies

(i) Foreign Currency Transactions

Transactions in foreign currency are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange differences are taken to the income statement.

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (cont'd)

(ii) Foreign Entities (cont'd)

The principal exchange rates used for every respective unit of foreign currency ruling at the balance sheet date are as follows:

	2005 RM	2004 RM
United States Dollar	3.780	3.800
Great Britain Pound	6.517	7.308
Singapore Dollar	2.270	2.322
Euro	4.483	5.172
China Renminbi	0.468	-
India Rupee	0.084	-

(l) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, and deposits at call (excludes deposits which are pledged), which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(m) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(d).

(ii) Operating Leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Provisions for Defect Liabilities

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

Defect liability is provided by reference to the stage of completion of contract activity at balance sheet date, based on the performance bond amount or a fixed rate of the contract value as stipulated in the contract. The defect liability period of one to two years is specified in the contracts.

(o) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(p) Revenue Recognition

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

(i) Contract revenue

Contract revenue is recognised based on the stage of completion method as described in Note 2(f).

(ii) Maintenance services

Revenue from services rendered is recognised net of discounts as and when the services are performed.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue Recognition (cont'd)

(iii) Sale of goods

Revenue relating to sales of goods is recognised upon delivery of products and acceptance by customers.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(q) Financial Instruments

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

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

(i) Other Non-Current Investments

Non-current investments other than investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(ii) Trade and Other Receivables

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

(iii) Trade and Other Payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as an expense in the period in which they are incurred.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial Instruments (cont'd)

(v) Equity Instruments

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

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

(vi) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains or losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

3. REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Contract work	79,736,214	111,181,702	-	-
Maintenance services	3,998,979	3,347,818	-	-
Sale of equipment	738,709	676,326	-	-
Dividend income	-	-	3,000,000	900,000
	<u>84,473,902</u>	<u>115,205,846</u>	<u>3,000,000</u>	<u>900,000</u>

4. COST OF SALES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Contract costs (note 14)	59,296,149	90,263,432	-	-
Maintenance services	1,528,776	892,874	-	-
Cost of equipment sold	103,726	143,581	-	-
	<u>60,928,651</u>	<u>91,299,887</u>	<u>-</u>	<u>-</u>



5. PROFIT BEFORE TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
(a) After charging/(crediting)				
Staff costs (Note c)	7,814,922	7,029,211	-	-
Auditors' remuneration	88,400	60,000	32,000	26,000
Depreciation of property, plant and equipment	1,105,072	725,080	-	-
Directors' emoluments (Note b)	839,281	830,024	48,000	28,000
Office rental	70,634	28,975	12,000	12,000
Interest expenses				
- hire purchase	5,325	7,857	-	-
- term loan	-	57,321	-	-
- bank overdraft	5,306	1,484	-	-
- banker acceptances/trust receipts	4,446	179,466	-	-
Foreign exchange (gains)/losses				
- realised	(52,653)	100,099	-	-
- unrealised	(40,589)	26,500	-	-
Allowance for doubtful debts	650,151	2,342,871	-	-
Impairment loss on quoted securities	737,279	13,737	-	-
Provision for defect liabilities	544,435	1,845,353	-	-
Provision for obsolete inventories	98,910	139,167	-	-
Writedown of inventories	34,683	-	-	-
Interest income				
- short term deposits	(270,839)	(258,025)	(66,482)	(69,895)
- loan stocks	(10,500)	(10,500)	-	-
Gain on disposal of property, plant and equipment	(31,338)	(5,671)	-	-
Gain on disposal of quoted securities	(20,605)	-	-	-
Negative goodwill recognised	-	(2,564,417)	-	-
Dividend income from a subsidiary	-	-	(3,000,000)	(900,000)
Write back of allowance for doubtful debts	(196,178)	(149,596)	-	-
Rental income	(129,000)	(118,200)	-	-
(b) Directors' emoluments:				
(i) Director of the Company Executive:				
Salaries and other emoluments	688,981	638,724	-	-
Fees	36,000	45,000	-	-
Bonuses	25,500	60,000	-	-
Benefit-in-kind	16,800	13,300	-	-
	767,281	757,024	-	-
Non-Executive:				
Fees	48,000	28,000	48,000	28,000
(ii) Director of subsidiaries Non-Executive:				
Fees	24,000	45,000	-	-
Total	839,281	830,024	48,000	28,000

**5. PROFIT BEFORE TAXATION (CONT'D)****(b) Directors' emoluments (cont'd)**

- i (iii) The numbers of directors of the group whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2005	2004
Executive directors:		
Below RM50,000	1	1
RM150,001 - RM250,000	2	2
RM250,001 - RM350,000	1	1
Non-Executive directors:		
Below RM50,000	3	3

(c) Employee information

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff costs (excluding directors' emoluments)				
Salary, wages and bonus	6,118,472	5,887,239	-	-
Termination benefits	508,540	-	-	-
Employees' provident funds	692,762	627,130	-	-
Other staff related expenses	495,148	514,842	-	-
	7,814,922	7,029,211	-	-

6. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysian taxation based on the results for the year:				
- Current	4,057,075	4,407,700	850,564	261,700
Over provision in prior years	(298,435)	(379,567)	-	-
Deferred tax (Note 17)				
- over provided in prior years	-	187,000	-	-
- relating to origination and reversal of temporary differences	(201,000)	(357,000)	-	-
	3,557,640	3,858,133	850,564	261,700

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.



6. TAXATION (CONT'D)

A reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	12,781,200	14,555,543	2,579,951	749,076
Taxation at the statutory tax rate of 28%	3,578,736	4,075,552	722,386	209,741
Effect of losses in foreign subsidiaries	(162,228)	-	-	-
Effect of expenses not deductible for tax purposes	626,476	693,185	146,793	51,959
Effect of income not subject to tax	(186,909)	(718,037)	(18,615)	-
Overprovision of deferred tax assets in prior years	-	187,000	-	-
Overprovision of tax expense in prior years	(298,435)	(379,567)	-	-
	<u>3,557,640</u>	<u>3,858,133</u>	<u>850,564</u>	<u>261,700</u>

7. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year as there are no potential ordinary share.

	2005	2004
Net profit for the year (RM)	9,249,354	10,697,410
Weighted average number of shares in issue	283,540,000	210,890,879
Basic/diluted earnings per share (sen)	<u>3.26</u>	<u>5.07</u>



8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2005 RM
COST							
At 1 January 2005	1,469,475	4,440,919	782,055	263,740	2,446,920	444,949	9,848,058
Additions	-	-	4,438,920	-	280,936	131,567	4,851,423
Disposals	-	-	-	(148,898)	(14,293)	-	(163,191)
Reclassification	-	179,644	(179,644)	-	(187)	187	-
At 31 December 2005	1,469,475	4,620,563	5,041,331	114,842	2,713,376	576,703	14,536,290
ACCUMULATED DEPRECIATION							
At 1 January 2005	-	62,441	11,029	82,047	529,632	14,755	699,904
Charge for the year	-	104,563	80,516	78,820	817,833	23,340	1,105,072
Disposals	-	-	-	(104,978)	(12,341)	-	(117,319)
Reclassification	-	25,680	(25,680)	-	(121)	121	-
At 31 December 2005	-	192,684	65,865	55,889	1,335,003	38,216	1,687,657
NET BOOK VALUE							
As at 31 December 2005	1,469,475	4,427,879	4,975,466	58,953	1,378,373	538,487	12,848,633
As at 31 December 2004	1,469,475	4,378,478	771,026	181,693	1,917,288	430,194	9,148,154
Depreciation charge for 2004	-	62,441	11,029	82,047	554,808	14,755	725,080

The freehold land, freehold buildings, and leasehold buildings with a total net book value of RM3,970,858 (2004: RM4,070,660) are charged to licensed banks for banking facilities granted to the Group.

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM51,518 (2004: RM94,618).

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	26,281,942	21,470,382



9. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Equity Interest held		Principal Activities
		2005 %	2004 %	
Metronic Engineering Sdn. Bhd	Malaysia	100	100	System integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system.
Metronic Integrated System Sdn. Bhd.	Malaysia	100	100	Procurement of contracts in relation to engineering work specialising in the field of intelligent building management system, integrated security management system, and sale of engineering equipment.
Metronic Microsystem (Beijing) Company Limited**	China	100	-	Design, production and sale of engineered systems for the Information and Communication Technology Industry, specialising in intelligent building management system and telecommunication system.
Metronic Engineering Private Limited*	India	70	-	Design, production and sale of engineered systems for the Information and Communication Technology Industry, specialising in intelligent building management system and integrated security management system.

* Audited by affiliate of Ernst & Young

** Audited by a firm of auditors other than Ernst & Young

- a) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of RM4,751,375 (USD1,250,000).
- b) The financial results of the subsidiaries acquired and included in the consolidated financial statements for the year ended 31 December 2005 and 2004 were as follows:
 - i) The Company had on 25 July 2005 acquired 70% equity interest in Metronic Engineering Private Limited, a company incorporated in India, for a total cash consideration of RM6,237 (Indian Rupee 70,000). During the period, Metronic Engineering Private Limited increased its ordinary issued and paid up share capital from 10,000 to 100,000 at Rs10 each. The Company further subscribed 63,000 of the ordinary shares at Rs10 each for a cash consideration of RM53,948 (Indian Rupee Rs 630,000), thus maintaining its 70% equity interest in Metronic Engineering Private Limited.



9. INVESTMENT IN SUBSIDIARIES (CONT'D)

- ii) The acquisition in 2004 is in relation to the acquisition of the entire equity interest in Metronic Engineering Sdn. Bhd., and its subsidiary, Metronic Integrated System Sdn. Bhd., on 18 March 2004 for a total consideration of RM21,253,998 satisfied by the issuance of 212,539,980 new ordinary shares of RM0.10 each in the Company at par.

	2005 RM	Note(b)(ii) 2004 RM
Income statement		
Revenue	-	115,205,846
(Loss)/profit before taxation	(143,920)	12,189,548
(Loss)/profit after taxation	(143,920)	8,293,617

The effect of the above acquisition on the financial position of the Group as at 31 December 2005 and 2004 were as follows:

	2005 RM	Note(b)(ii) 2004 RM
Balance Sheet		
Non-current assets		
Property, plant and equipment	3,182	9,148,154
Other investment	-	219,384
Deferred tax assets	-	1,140,000
	3,182	10,507,538
Current assets		
Inventories	-	1,527,301
Receivables	24,364	73,375,265
Short term deposits	-	10,295,613
Cash and bank balances	32,265	2,657,771
	56,629	87,855,950
Current liabilities		
Payables	(119,981)	(63,909,072)
Provision for taxation	-	(2,261,000)
Bank borrowings	-	(513,000)
	(119,981)	(66,683,072)
Group's share of net (liabilities)/assets	(60,170)	31,680,416



9. INVESTMENT IN SUBSIDIARIES (CONT'D)

The fair values of the assets acquired and liabilities assumed from the acquisitions of the subsidiaries in years 2005 and 2004 were as follows:

	25.7.2005 RM	Note(b)(ii) 18.3.2004 RM
Property, plant and equipment (Note 8)	-	6,244,270
Other investment	-	139,121
Deferred tax assets	-	970,000
Inventories	-	2,293,098
Receivables	-	78,044,934
Fixed deposits	-	7,708,450
Cash and bank balances	8,910	1,723,203
Payables	-	(57,968,592)
Provision for taxation	-	(4,816,994)
Bank borrowings	-	(10,519,075)
Net assets	8,910	23,818,415
Minority interest	(2,673)	-
Negative goodwill on consolidation	-	(2,564,417)
Total purchase consideration	6,237	21,253,998
Purchase consideration satisfied by issuance of shares	-	(21,253,998)
Total purchase consideration to be satisfied by cash	6,237	-
	25.7.2005 RM	Note(b)(ii) 18.3.2004 RM
Cash flow arising on acquisition:		
Purchase consideration satisfied by cash	(6,237)	-
Issuance of shares subscribed by minority shareholders	23,121	-
Cash and cash equivalents of subsidiaries acquired	8,910	1,723,203
Net cash inflow to the Group	25,794	1,723,203

**10. OTHER INVESTMENTS**

	Group 2005 RM	2004 RM
Quoted securities in Malaysia:		
Quoted shares, at cost	979,165	-
Irredeemable convertible unsecured loan stocks, at cost	210,000	257,121
Impairment loss	(869,016)	(131,737)
	320,149	125,384
Golf club membership	94,000	94,000
	414,149	219,384
Market value of quoted securities	320,149	125,384

11. DEVELOPMENT COSTS

	Group 2005 RM	2004 RM
Development cost	458,179	-

The development costs relate to the development of Power Line Communication Controller for Smart Home Automation System, where it is reasonably anticipated that the costs will be recovered through future commercial activity.

The development costs were not amortised during the financial year as the product was in the stage of development.

12. INVENTORIES

	Group 2005 RM	2004 RM
At cost:		
Building automation equipment and parts	1,940,113	1,527,301
Computer servers	3,445,946	-
	5,386,059	1,527,301



13. TRADE RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	3,458,935	4,039,192	-	-
Progress billings receivable	52,253,653	50,361,929	-	-
Due from customers on contracts (Note 14)	5,435,479	8,276,900	-	-
Advances to sub contractors	-	959,188	-	-
Retention sums on contracts (Note 14)	12,588,061	13,649,524	-	-
	<u>73,736,128</u>	<u>77,286,733</u>	<u>-</u>	<u>-</u>
Allowance for doubtful debts	(5,461,356)	(5,337,272)	-	-
	<u>68,274,772</u>	<u>71,949,461</u>	<u>-</u>	<u>-</u>

The Group's normal credit terms range from 60 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentrations of credit risk that may arise from exposures to a single debtor or groups of debtors other than a balance due from a debtor of RM30,622,806 (2004: RM16,197,612) in which certain Directors have interest.

14. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group	
	2005 RM	2004 RM
Contract costs incurred to date	131,553,144	172,957,598
Add: Attributable profits	20,453,653	30,239,166
	<u>152,006,797</u>	<u>203,196,764</u>
Less: Progress billings received and receivable	(150,088,826)	(199,820,716)
	<u>1,917,971</u>	<u>3,376,048</u>
Due from customers on contracts (Note 13)	5,435,479	8,276,900
Due to customers on contracts (Note 18)	(3,517,508)	(4,900,852)
	<u>1,917,971</u>	<u>3,376,048</u>
Retention sums on contracts, included within trade debtors (Note 13)	12,588,061	13,649,524
Advances received on contracts, included within trade payables (Note 18)	517,001	8,134,197
Contract costs recognised as an expense (note 4)	59,296,149	90,263,432

Included in contract costs recognised as an expense is provision for defect liabilities of RM544,435 (2004: RM1,845,353) during the year.



Notes to The Financial Statements

- 31 December 2005
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15. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due from subsidiaries	-	-	5,462,886	8,559,509
Deposits and prepayment	768,243	377,814	142,402	-
Sundry receivables	1,217,823	989,466	1,594	11,474
Allowance for doubtful debts	(329,889)	-	-	-
	<u>1,656,177</u>	<u>1,367,280</u>	<u>5,606,882</u>	<u>8,570,983</u>

Amount due from subsidiaries is unsecured, interest free and have no fixed terms of repayment.

Included in sundry receivables is mainly the purchase consideration of RM777,044 for the acquisition of 51% equity interest in Infocon (Beijing) Environmental Control Technology Company Limited which is pending finalisation from the relevant authority.

16. SHORT TERM DEPOSITS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	6,112,856	5,975,613	-	-
Deposit at call with licensed banks	-	4,320,000	-	-
	<u>6,112,856</u>	<u>10,295,613</u>	<u>-</u>	<u>-</u>

All the fixed deposits with licensed banks of RM6,112,856 (2004: RM5,975,613) are pledged as security for banking facilities granted to the Group as disclosed in Note 20.

The weighted average effective interest rate and maturities of deposits at the balance sheet date are as follows:

	Interest rate		Maturity	
	2005 %	2004 %	2005 day	2004 day
Fixed deposits	2.83	2.6	30	30
Deposits at call	-	2.25	-	7



17. DEFERRED TAX

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January/18 March	1,140,000	-	-	-
Recognised in income Statement (Note 6)	201,000	170,000	-	-
Acquisition of subsidiaries (Note 9)	-	970,000	-	-
At 31 December	1,341,000	1,140,000	-	-
Presented after appropriate offsetting as follow:				
Deferred tax assets	1,551,000	1,520,000	-	-
Deferred tax liabilities	(210,000)	(380,000)	-	-
	1,341,000	1,140,000	-	-

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

Deferred Tax Liabilities of the Group:

	Property, plant and Equipment RM	Total RM
At 1 January 2005	380,000	380,000
Recognised in income statement	(170,000)	(170,000)
At 31 December 2005	210,000	210,000
At 18 March 2004	-	-
Acquisition of subsidiaries	170,000	170,000
Recognised in income statement	210,000	210,000
At 31 December 2004	380,000	380,000

Deferred Tax Asset of the Group:

	Provision for Defect Liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2005	850,000	450,000	220,000	1,520,000
Recognised in income statement	(48,000)	48,000	31,000	31,000
At 31 December 2005	802,000	498,000	251,000	1,551,000
At 18 March 2004	-	-	-	-
Acquisition of subsidiaries	150,000	180,000	50,000	380,000
Recognised in income statement	700,000	270,000	170,000	1,140,000
At 31 December 2004	850,000	450,000	220,000	1,520,000



Notes to The Financial Statements

- 31 December 2005
(cont'd)

18. TRADE PAYABLES

	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
Trade payables	35,800,580	37,745,757	-	-
Advances received on contracts (Note 14)	517,001	8,134,197	-	-
Due to customer on contracts (Note 14)	3,517,508	4,900,852	-	-
	<u>39,835,089</u>	<u>50,780,806</u>	<u>-</u>	<u>-</u>

19. OTHER PAYABLES

	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
Other creditors and accruals	1,789,469	1,456,336	32,810	62,151
Provision for defect liability	2,864,497	3,059,236	-	-
Hire purchase creditors (Note 22)	4,762	40,576	-	-
	<u>4,658,728</u>	<u>4,556,148</u>	<u>32,810</u>	<u>62,151</u>

20. BANK BORROWINGS

	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
Bank Overdraft (secured)	1,512,318	-	-	-
Bankers acceptances (secured)	1,596,500	513,000	-	-
	<u>3,108,818</u>	<u>513,000</u>	<u>-</u>	<u>-</u>

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed banks of RM6,112,856 (2004: RM5,975,613) of the Group. The interest rates on these borrowings range between 3.77% to 7.5% (2004: 2.89% to 3.89%) per annum.

21. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised:				
At 1 January	500,000,000	1,000,000	50,000,000	100,000
Created during the year	-	499,000,000	-	49,900,000
At 31 December	<u>500,000,000</u>	<u>500,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
At 1 January	283,540,000	20	28,354,000	2
Issued during the year:				
- Acquisition of subsidiaries	-	212,539,980	-	21,253,998
- Pursuant to initial public offering	-	71,000,000	-	7,100,000
At 31 December	<u>283,540,000</u>	<u>283,540,000</u>	<u>28,354,000</u>	<u>28,354,000</u>



22. HIRE PURCHASE CREDITORS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Amounts outstanding	4,762	45,338	-	-
Less: Due within twelve months (Note 19)	(4,762)	(40,576)	-	-
Due after twelve months	-	4,762	-	-

The commitment terms of more than one year under hire purchase agreements of the Group are summarised as follows:

	2005		2004	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Gross amounts payable				
Not later than 1 year	5,378	4,762	45,900	40,576
More than 1 year but not later than 5 years	-	-	5,379	4,762
	5,378	4,762	51,279	45,338
Less: Future finance charges	(616)	-	(5,941)	-
	4,762	4,762	45,338	45,338

23. DIVIDENDS

	Amount	
	2005 RM	2004 RM
Dividend paid:		
Final dividend of 3% less 28% taxation on 283,540,000 ordinary shares in respect of financial year ended 31 December 2004	612,447	-
Interim dividend of 3% less 28% taxation on 283,540,000 ordinary shares in respect of financial year ended 31 December 2005/2004	612,447	612,447
	1,224,894	612,447

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 3% less 28% taxation on 283,540,000 ordinary shares, amounting to a dividend payable of RM612,447 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

**23. DIVIDENDS (CONT'D)**

Accordingly, based on the above, the net dividends per share declared and proposed for the financial year are as follows:

	Net dividends per share	
	2005 Sen	2004 Sen
Paid:		
Final dividend of 3% less 28% taxation in respect of financial year ended 31 December 2004	0.22	-
Interim dividend of 3% less 28% taxation in respect of financial year ended 31 December 2005/2004	0.22	0.22
Proposed:		
Final dividend of 3% less 28% taxation in respect of financial year ended 31 December 2005	0.22	-

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005		2004	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
GROUP				
Accounting fee receivable from Metronic Corporation Sdn. Bhd. ("MCSB") +	60,000	-	50,000	50,000
Rental receivable from MCSB +	12,000	-	10,000	-
Accounting fee receivable from Meditechnique Sdn. Bhd. ("Meditechnique") ^	24,000	-	20,000	20,000
Rental receivable from Meditechnique ^	24,000	-	20,000	-
Purchases from ITG Worldwide (M) Sdn. Bhd., @	1,707,578	-	1,595,388	-
Provision of software maintenance services to Metronic Impact Sdn. Bhd., an associated company of MCSB +	-	-	31,042	5,174
Contract fee payable to Integrated Commerce Sdn. Bhd E	-	4,514	82,450	13,958
Contract and maintenance services receivable from MH Projects Sdn. Bhd. ("MHP") #	44,346,895	30,622,806	36,266,280	16,197,612
Purchase of property from MHP #	-	-	2,600,000	-
Provision of maintenance services to Ledtronics Sdn. Bhd. *	615,852	-	28,428	-



24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

COMPANY

	2005		2004	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
Dividend received from a subsidiary	3,000,000	-	648,000	-
Office rental payable to a subsidiary	12,000	-	12,000	-

+ substantial shareholder of the Company where directors of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong have interest.

^ a company in which a director of the Company, Dr Ng Tek Che, has an interest

a company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff are also directors.

@ a company in which a director of the Company, Liew Chiap Hong has an interest

£ a company in which a director of the Company, Dato' Abd. Gani bin Yusof has an interest

* a company in which a director of the Company, Subhi Bin Dziyauddin is also director.

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

25. CAPITAL COMMITMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Approved but not contracted for:				
- Research and development expenditure	475,422	1,470,000	-	-
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	793,800	798,000	-	-

26. CONTINGENT LIABILITIES

	Company	
	2005 RM	2004 RM
Unsecured:		
Corporate guarantee given to a licensed bank for credit facility granted to a subsidiary	19,000,000	19,000,000



27. OTHER SIGNIFICANT EVENTS

- (a) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.
- (b) On 25 July 2005, the Company acquired a total of 7,000 ordinary shares of Indian Rupee ("Rs") 10 each in Metronic Engineering Private Limited, representing 70% of its issued and paid up share capital for a total cash consideration of Rs 70,000 (or approximately RM6,237 at an exchange rate of Rs11.2233:RM1.00).

Metronic Engineering Private Limited increased its ordinary share capital from 10,000 to 100,000 at Rs10 each during the period. The Company further subscribed 63,000 of the ordinary shares at Rs10 each for a cash consideration of Rs 630,000 (or approximately RM53,948), thus maintaining its 70% equity interest in Metronic Engineering Private Limited.

- (c) The Company established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates during the financial year. The Service Licence issued by the Dubai Airport Free Zone Authority to the Company is valid from 4 September 2005 to 3 September 2006.

28. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 14 April 2006, the Company signed a Joint Venture cum Shareholders' Agreement with iCare Health Services Pte Ltd to co-operate and collaborate on the health care services via a joint venture company known as Metronic iCares Sdn Bhd (formerly known as Success Knowledge Sdn Bhd) which was incorporated on 20 March 2006. The Company will hold 51% equity interest in Metronic iCares Sdn Bhd via a subscription of 51 shares of RM1 each for a total cash consideration of RM51.
- (b) On 14 April 2006, MGB wrote to the shareholders of Ariantec Sdn Bhd to confirm its interest to acquire 200,000 ordinary shares of RM1.00 each in Ariantec Sdn Bhd representing 40% of the existing issued and paid-up share capital of Ariantec Sdn Bhd from the current shareholders. The current shareholders have on even date accepted the offer. The principal business activity of Ariantec Sdn Bhd is the provision of turnkey solutions on network infrastructure and security management.

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objective and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group has no substantial long term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes, but have been mostly placed in short term deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group constantly reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a retail level of protection against rates hikes. The Group does not have any exposure in off balance sheet instruments.



29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Liquidity Risk

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

In addition, the Group also maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with short term funding so as to achieve overall cost effectiveness.

(d) Foreign Currency Risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposure to foreign currency risks are monitored on an ongoing basis. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts.

The unhedged financial liabilities of the Group that are not denominated in Ringgit Malaysia are as follows:

	United States Dollar RM	Great Britain Pound RM	Singapore Dollar RM	Total RM
At 31 December 2005:				
Trade payables	1,802,621	166,744	28,006	1,997,371
At 31 December 2004:				
Trade payables	1,695,747	490,492	9,370	2,195,609

(e) Credit Risk

Credit risk are minimised and monitored via strictly limiting the Group's associations to business partners with reasonably high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instruments other than a balance due from a debtor of RM30,622,806.



29. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values

The fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Group and of the Company as at the end of the financial year are as follows:

	Group Carrying Value RM	Fair Value RM	Company Carrying Value RM	Fair Value RM
At 31 December 2005:				
Financial Assets				
Amount due from subsidiaries	-	-	5,462,886	#
At 31 December 2004:				
Financial Assets				
Amount due from subsidiaries	-	-	8,559,509	#

It is not practical to estimate the fair values of amount due from a subsidiary due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, receivables, payables and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Investments

The fair values of quoted securities is determined by reference to stock exchange quoted market prices at the close of the business on the balance sheet date.

(iii) Derivative financial instruments

The fair value of a forward foreign exchange currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of a similar quantum and maturity profile.

30. SEGMENTAL REPORTING

As the Group operates principally within one business segment and the Group's overseas subsidiaries have not generated any revenue as at the financial year ended 31 December 2005, segmental information is not presented.

List of Properties

As at 31 December 2005

Location	Description/ Existing use	Land area sq. ft.	Built-up area sq. ft.	Date of certificate of fitness	Approximate age of building/ Tenure	Net book value as at 31.12.05 RM'000	Last date revaluation or if none, date of acquisition
Metronic Engineering Sdn Bhd							
No. 2 Jalan Astaka U8/83 Bukit Jelutong, Seksyen U8 40150 Shah Alam Selangor Darul Ehsan	3-storey semi- detached office cum factory	23,838	25,112	17 November 2000	5 years / Freehold	2,978	28 July 2000
No 4, Jalan Astaka U8/83 Bukit Jelutong, Seksyen U8 40150 Shah Alam Selangor Darul Ehsan	3-storey semi- detached office cum factory	16,948	18,621	17 November 2000	5 years / Freehold	2,530	12 April 2004
Lot 1888, College Heights Garden Resort Nilai, Seremban	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	246	28 August 1998
Unit no. 3F-47, 3rd Floor, Lot 1 JB Water Front City Jalan Tun Sri Lanang 80000 Johor Bahru, Johor	Shop lot	N/A	475	23 February 2001	5 years/ Leasehold for 99 years expiring on 4 December 2095	349	20 February 2001
Unit nos. 4-G and 4-1, Ground and 1st Floors Block B, Jalan PJS 5/2, Taman Desaria 46000 Petaling Jaya	Shop lot	N/A	3,286	11 March 1997	9 years/ Leasehold for 99 years expiring on 17 June 2086	254	24 June 1991
B-7-12, 7th floor, Block B Pearl Point Condominiums, Jalan Sepadu 3, Taman United, 58200 Kuala Lumpur	Apartment for investment purposes	N/A	1,076	22 January 1997	9 years/ Freehold	144	21 October 1993
Metronic Microsystem (Beijing) Company Limited, China							
No 18, Level 8, Top Fine International Centre, Dong San Huan Middle Road, Choa Yang District, Beijing, China	Office	N/A	7,540 (700.53 square metres)	28 November 2003	4 years/ Leasehold for 50 years expiring on 5 February 2052	4,372	15 March 2005

Analysis of Shareholdings

As at 17 April 2006

Authorised Share Capital	:	RM50,000,000 comprising 500,000,000 Ordinary Shares of RM0.10 each
Issued and Paid-up Share Capital	:	RM28,354,000 comprising 283,540,000 Ordinary Shares of RM0.10 each
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

(I) DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of holdings	No. of Shareholders	%	No. of Shares	%
1-99	3	0.287	70	0.000
100-1,000	92	8.787	75,700	0.027
1,001-10,000	491	46.896	2,888,150	1.019
10,001-100,000	353	33.715	13,182,000	4.649
100,001-14,176,999	106	10.124	117,649,630	41.493
14,177,000 and above (*)	2	0.191	149,744,450	52.812
Total	1,047	100.00	283,540,000	100.00

Note: * - 5% and above of issued shares

(II) 30 LARGEST SHAREHOLDERS

No.	Name	No. of Share Held	%
1.	Metronic Corporation Sdn Bhd	85,062,000	30.00
2.	Dato' Abd. Gani bin Yusof	64,682,450	22.81
3.	Liew Chiap Hong	13,134,165	4.63
4.	Ng Tek Che	13,134,165	4.63
5.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Liew Chiap Hong (PB)	11,263,600	3.97
6.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Ng Tek Che (PB)	11,263,600	3.97
7.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Jude Yee Wai Kwan	6,741,000	2.38
8.	Tan Tieng Tieng	6,291,800	2.22
9.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Khue Yen Lin (PB)	4,580,500	1.62
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Tan Hang Kime (PB)	2,435,000	0.86
11.	Promosi Unggul Sdn Bhd	2,377,200	0.84
12.	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Delaware Heights Corporation (PB)	2,196,200	0.78
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Chan Lay Sing (PB)	2,132,100	0.75
14.	Abdul Malek bin Abdul Aziz	2,000,000	0.71
15.	Foo Gin Gaik	2,000,000	0.71
16.	Md Wira Dani bin Abdul Daim	2,000,000	0.71



(II) 30 LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Share Held	%
17.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tieng Tieng	1,975,000	0.70
18.	RHB Nominees (Tempatan) Sdn Bhd pledged securities Account for Yip Mun Kong (CST)	1,851,900	0.65
19.	KE-ZAN Nominees (Tempatan) Sdn Bhd Kim Eng Securities Pte Ltd for Yee Chooi Fan	1,666,000	0.59
20.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Edmund Chuah Choong Eng Huat (Margin-MY0163)	1,519,400	0.54
21	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Liw Fa Lin @ Liew Fa Lin (Margin- MM0613)	1,459,200	0.52
22	Cheah Hooi Lee	1,395,600	0.49
23	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London	1,291,800	0.46
24	CITIGROUP Nominees (Tempatan) Sdn Bhd CB Spore GW for Wong Yeng Mun	1,088,000	0.38
25	Kok Ming Nee	1,010,000	0.36
26	HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd for Cheng Sook Kee	1,000,000	0.35
27	Tan Ching Cheo	1,000,000	0.35
28	Ruben Kelvin Rajadurai	830,000	0.29
29	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheong Yek Ing (HLG)	700,000	0.25
30	Musra Sdn Bhd	560,000	0.20
	Total	248,640,680	87.72

(III) SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	Note	%
Metronic Corporation Sdn Bhd	85,062,000	30.00	-	-	-
Dato' Abd Gani bin Yusof	64,682,450	22.81	85,062,000	1	30.00
Dr Ng Tek Che	24,397,765	8.60	85,062,000	1	30.00
Liew Chiap Hong	24,397,765	8.60	85,062,000	1	30.00

Note

1 Deemed interested by virtue of their interest in Metronic Corporation Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.

(IV) DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	Note	%
Tan Sri Dato' Kamaruzzaman bin Shariff	-	-	-	-	-
Dato' Abd Gani bin Yusof	64,682,450	22.81	85,062,000	1	30.00
Dr Ng Tek Che	24,397,765	8.60	85,062,000	1	30.00
Liew Chiap Hong	24,397,765	8.60	85,062,000	1	30.00
Lee Fok Chong	-	-	-	-	-
Subhi bin Hj Dziauddin	-	-	-	-	-
Amirudin bin Mohd Baria	-	-	-	-	-
Li Ji Chang	-	-	-	-	-

Note

1 Deemed interested by virtue of their interest in Metronic Corporation Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.



FORM OF PROXY

I/We, _____ NRIC No. _____ being a member/members of METRONIC GLOBAL BERHAD hereby appoint _____ of _____

NRIC No. _____ or failing him/her, CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of Metronic Global Berhad to be held at Gallery 1, Level 3, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100, Shah Alam, Selangor Darul Ehsan on Thursday, 15 June 2006 at 11.00 am and/or at any adjournment thereof.

No.	Resolution	For	Against
	Ordinary Business		
1.	To receive the Audited Financial Statements and Reports for the year ended 31 December 2005		
2.	To approve the payment of a Final Dividend		
3.	Re-election of Y Bhg Dato' Abd Gani Bin Yusof as Director		
4.	Re-election of Mr Liew Chiap Hong as Director		
5.	To approve the payment of Directors' Fees		
6.	Re-appointment of Auditors		
	Special Business		
7.	Grant of Authority Pursuant to Section 132D of the Companies Act, 1965.		
8.	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Metronic Coproration Sdn Bhd		
9.	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions Meditechnique Sdn Bhd		
10.	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with ITG Worldwide (M) Sdn Bhd		
11.	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with Integrated Commerce Sdn Bhd		
12.	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions with MH Projects Sdn Bhd		
13.	New Shareholders' Mandate for Recurrent Related Party Transactions with ITG Worldwide (M) Sdn Bhd		
14.	New Shareholders' Mandate for Recurrent Related Party Transactions with iCare Health Services Pte Ltd		
15.	New Shareholders' Mandate for Recurrent Related Party Transactions with Ariantec Sdn Bhd		

Please indicate with an "X" in the space provided, how you wish your vote to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.

Signature / Common Seal

Date

Number of Shares Held

Notes:

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company and provision of Section 149(1) (b) of the Companies Act 1965 need not be complied with.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy. Duplication of proxy form is allowed for appointment of additional proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under seal or under the hand of an official or attorney duly authorized.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at 650, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. If no name is inserted in the space provided for name of proxy, the Chairman of meeting shall act as proxy.
7. A member should insert the number of shares held in the box provided. If no number is inserted, the form of proxy will be deemed to relate to all shares held by the member.

Fold this flap for sealing

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AFFIX
STAMP
HERE

Metronic Global Berhad (632068-V)
650, Block A, Kelana Centre Point
No. 3, Jalan SS 7/19, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

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