Metronic Global Berhad
(632068-V)
No. 2 Jalan Astaka U8/83,
Seksyen U8, Bukit Jelutong,
40150 Shah Alam,
Selangor Darul Ehsan, Malaysia

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Email : mesb@metronic-group.com
website : www.metronic-group.com

Certificate No: 403813

Celebrating Malaysia's Enterprising Spirit

METRONIC

Metronic Global Berhad

(632068-V)

ANNUAL REPORT 2007

Content

Our Vision

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

Our 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.

Corporate Information

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

Datuk Subhi bin Hj Dziyauddin
IndependentNon-Executive Director

Amirudin bin Mohd Baria
Independent Non-Executive Director

Li Ji Chang
Non-Independent Non-Executive Director

Edmund Chuah Choong Eng Huat
Non-Independent Non-Executive Director

Gu Ying
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lee Fok Chong	*Chairman*
Datuk Subhi bin Hj Dziyauddin	*Member*
Amirudin bin Mohd Baria	*Member*

REMUNERATION COMMITTEE

Lee Fok Chong	*Chairman*
Datuk Subhi bin Hj Dziyauddin	*Member*
Amirudin bin Mohd Baria	*Member*
Liew Chiap Hong	*Member*

NOMINATION COMMITTEE

Datuk Subhi bin Hj Dziyauddin	*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

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

Main Board of Bursa Malaysia Securities Berhad
Stock name: MTRONIC
Stock code: 0043

COMPANY HISTORY AND DEVELOPMENT

Background of Company

Metronic Global Berhad ("The Company" or "MGB") was incorporated in Malaysia under the Companies Act, 1965 on 22 October 2003. The Company was listed on MESDAQ Market of Bursa Malaysia Securities Berhad on 24 May 2004. The listing of and quotation for the entire issued and paid-up share capital of the Company was transferred to the Main Board of Bursa Malaysia Securities Berhad on 12 July 2007. MGB is principally an investment holding company. As at the date of this report, MGB Group consists of twelve (12) subsidiaries and three (3) associate companies.

The MGB Group specialises in the system integration of intelligent building management system ("IBMS") and integrated security management system ("ISMS"). Fundamental to this success is the Group's mission to continually exceed customers' increasing expectations. MGB Group focuses on building and integrating world-class technology to the market and is committed to continuously improve its quality, service and productivity.

The Evolution of the MGB Group

(a) The Origin – Building Automation

The origin of the MGB Group can be traced back more than two (2) decades when Metronic Engineering Sdn Bhd ("MESB") was incorporated in August 1984 to provide building automation services specialising in the field of IBMS and ISMS. MESB subsequently expanded its business activities to include e-project management of mechanical and electrical services and supply of engineered systems. MESB carried products by principals such as TAC Controls Pte Ltd and Honeywell Integrated Security, USA which are amongst the world's leading companies in IBMS and ISMS.

(b) The Early Years – Intelligent Buildings

In 1995, MISSB was incorporated to complement MESB's existing business activities. MISSB is principally engaged in the procurement of contracts in relation to engineering work specialising in the field of IBMS and ISMS, and sales of engineered system. During the early years, MISSB played a pivotal role in nation building by providing state-of-the-art e-project management and system integration services for hospitals, office buildings, shopping complexes, airports, oil refineries and manufacturing plants. Over the years, the Group has leveraged its expertise to develop unique and innovative IBMS and ISMS products, solutions and services, mainly in the areas of "*intelligent buildings*".

(c) The Evolution – Convergence of Technology

As technology progresses, *intelligent buildings* have evolved from mere stand-alone entities into interconnected hubs within the citywide infrastructure, known as "*intelligent cities*". With the convergence of technology, stand-alone buildings are slowly forming into smaller, ecosystems comprising a tightly integrated network of buildings that better enable the management and optimisation of systems and resources. The driving force of the evolution of *intelligent cities* is the ability to reduce cost, optimise manpower utilisation and enhance service levels through aggregation, service integration and process automation.

(d) The Recent Years –

(i) Towards ICMS

Driven by similar factors, the MGB Group has made bold steps in adopting new technologies and investing in R&D to realise its vision as an *Intelligent City Management System* ("ICMS") provider. In order to accelerate its involvement into ICMS, the Group established its ICMS division in 2006. There are six (6) companies under this division, which are servicing vertical markets including healthcare, mobile-commerce, data network infrastructure and performance contracting business respectively.

Metronic iCares Sdn Bhd ("MICSB") was incorporated in March 2006 and is involved in the provision of a Third Party Administrator (TPA) & Managed Care Organisation (MCO) for healthcare sector via the connectivity applications & infrastructure for the exchange of transactional information through internet.

Metronic Mobile Services Sdn Bhd ("MMSSB") (formerly known as FeelingK Malaysia Sdn Bhd) was incorporated in May 2006 with the intention to extend the Group's services as a mobile Internet service provider for the deployment of Card Notification Solutions, Bulk Short Message Services and Voice Short Message Services including related consultancy, implementation and operations.

Metronic R&D Sdn Bhd ("MRDSB") (formerly known as Trend Gate Systems Sdn Bhd) was incorporated in December 2006 to be the Research and Development division of the Group.

The Company acquired 40% equity interest in Ariantec Sdn Bhd ("Ariantec") in July 2007. Ariantec is a value-added provider of data network infrastructure and managed security systems and solutions.

The Company acquired 60% equity interest in Adprima Sdn Bhd ("Adprima") in July 2007. Adprima carries out special projects management consultancy and performance contracting business.

The Company entered into an agreement in January 2008 with Goldis Berhad for the acquisition of 75% equity interest in IPanel Malaysia Sdn Bhd and 30% equity interest in IPanel Pte Ltd, Singapore to carry out is research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system.

The establishment and acquisition of these companies strengthen the Group's position in the value chain towards becoming an ICMS provider. By converging newer technologies with the JBCM™ platform, the Group is able to provide a value-added proposition for its customers by enhancing and expanding its product applications. In line with the Group's plan to migrate as a provider of ICMS, these technologies will significantly enhance application security, manageability, reliability, and availability of any application while lowering the cost of operations for its customers.

(ii) *Towards Global Progression*

For geographical expansion, MGB Group has embarked on a series of acquisition strategies in 2006 and 2007 to complement the local markets. As at today, the Group has reached China, India, Australia, Singapore, Saudi Arabia and Middle East countries.

Metronic Microsystem (Beijing) Company Limited, China ("MMBCL") and Metronic Engineering Private Limited, India ("MEPL") were incorporated in January 2005 and June 2005 respectively to expand and penetrate the China and India markets.

Metronic Australia Pty Limited ("MAPL"), an Australian company was incorporated in June 2006 to market and distribute automation and energy systems for the worldwide market.

The Company entered into a deed of partnership in June 2006 to set up a corporation in the Emirate of Dubai for the purpose of carrying out the business of intelligent building management system, integrated security management, e-project management of mechanical and electrical services and other related activities in the entire Middle-East and North African region.

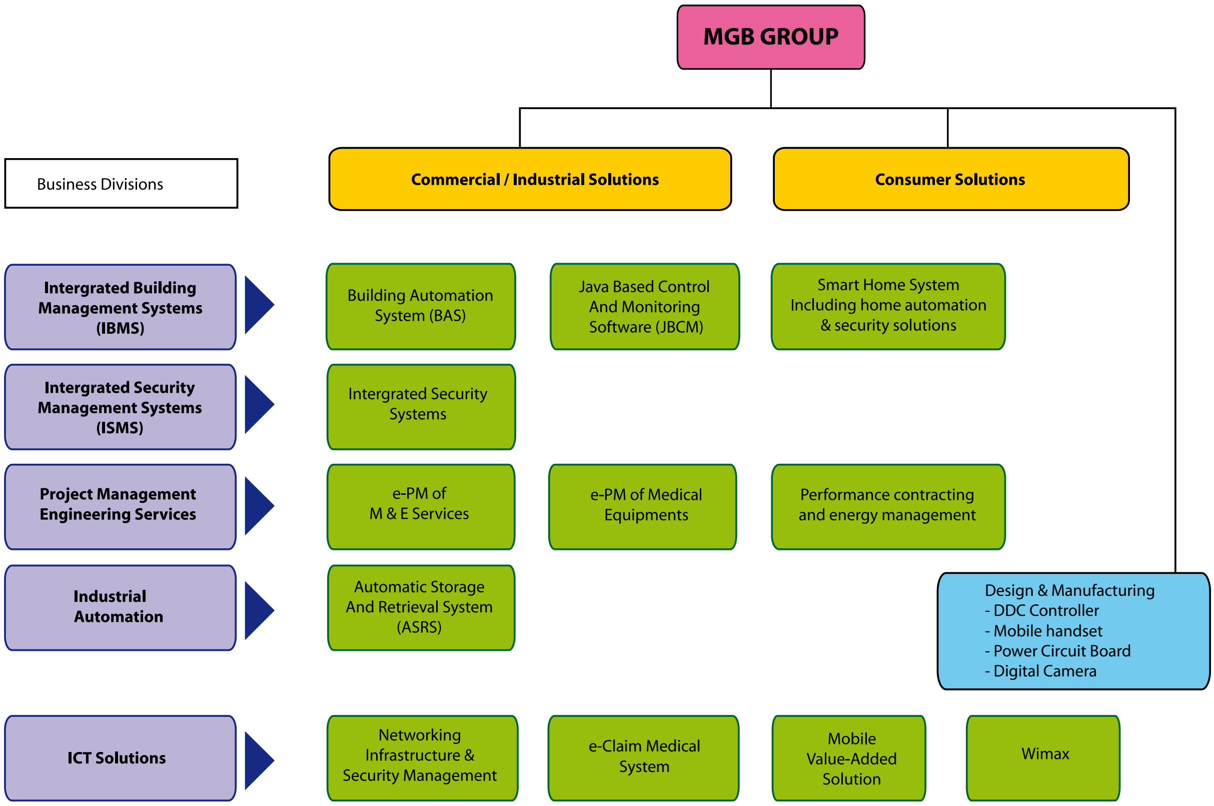
In year 2007, the Company acquired 25% equity interest in Unilink Development Limited, an investment holding company incorporated in Hong Kong with investment in Hangzhou Heng-Ai Electronics Co Ltd ("Heng-Ai"), and Newtronics Hangzhou Co, Ltd ("Newtronics"). Newtronics is principally engaged in high volume printed circuit board assembly, cellular phone and other electronics products assembly whilst Heng-Ai is principally engaged in the assembly of mobile telecommunication component products. MGB has an effective equity interest of 20% in both Heng-Ai and Newtronics.

During year 2007, Unilink Development Limited also acquired 100% equity interest in Tracker Shine Limited (BVI), an investment holding company that holds 100% equity in Vigorhood Photoelectric Shenzhen Co. Ltd ("Vigorhood"). Vigorhood is principally engaged in the manufacture and sale of digital cameras and related products certified by FCC and CE.

The Company incorporated Securetrax Solutions Pte Ltd ("Securetrax") in Singapore in January 2007. The business activities of Securetrax are the development, distribution and marketing of a series of products relating to Home Land Security.

The Company incorporated a joint venture company known as Metronic Saudi Arabia LLC ("MSA") in the Kingdom of Saudi Arabia with a local partner in Dec 2007. The business activity of the MSA shall be design, production and sale of engineered systems for the Information, Communication and Technology industry in the Kingdom of Saudi Arabia, specialising in intelligent building management system and integrated security management system.

PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES



Presently, the MGB Group, through its subsidiaries, specialises in IBMS and ISMS which encompass hardware and software required for the control and management of an intelligent building with components including heating, ventilation and air conditioning, lighting, fire and security equipment.

The key drivers that are guiding the building/construction industry to adopt this technology are:

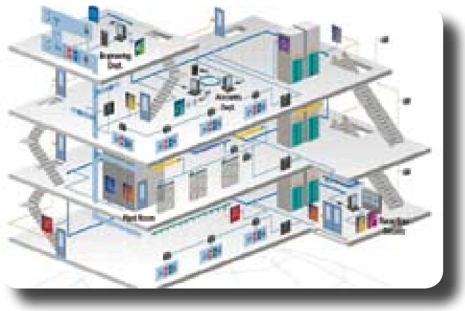
- the onset of the network convergence of the CCTV, computers, alarm system and access control with the advance technology of biometrics
- prevalent use of Internet and IP networking
- the efficiency of the system as it saves time and travel costs

The integration of the building/ industrial automation system and security system is becoming one of the most popular methods used by many corporations in converging their existing system into an all encompassing system. Two (2) of the main components of the IBMS and ISMS are the hardware and the software solutions. The hardware portion includes security devices such as CCTV, the video recording (either digital or analogue), access control and the intrusion devices. The software solution is an important feature which ensures that this equipment communicates and works coherently in a common personal computer-based environment.

The Group is presently a key player in the IBMS and ISMS industry in Malaysia and with its expertise in system integration and knowledge of advanced technology, the Group aims to move beyond the field of intelligent building into a higher level of intelligent city. The Group has made bold steps in adopting new technologies and investing in R&D to realise its vision as an Intelligent City Management System ("ICMS") provider.

The current business divisions of the MGB Group are highlighted as follows:

(i) Intelligent Building Management System (IBMS) Division



IBMS is an integration of Building Automation System, Access Control, Closed Circuit TV ("CCTV") System and Addressable Fire Control & Monitoring System into one single intelligent system. There are three sub-divisions listed as follows:

- Building Automation System ("BAS")
- Java Based Control & Monitoring Software ("JBCM")
- Smart Home

(ii) Integrated Security Management System ("ISMS") Division

ISMS provides a high level of security solutions by integrating all the individual security system like CCTV, Card Access, Perimeter Intrusion Detection System, Door Monitoring System, Guard Tour System and Asset Tracking System into one single intelligent device.

(iii) e-Project Management Engineering Services ("e-PM") Division

The Group is involved in the provision of engineering services specialising in the field of Mechanical & Electrical ("M&E") and medical equipments for the healthcare industry.

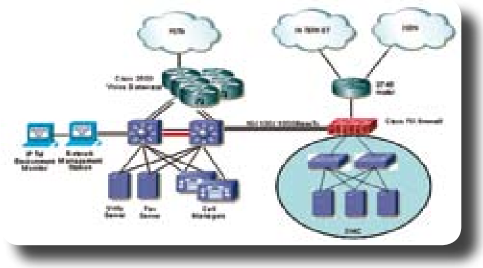
During the year, based on the current track records and applying the base business capabilities in the M&E Contracting business, the Group continues to explore and break into the aviation business, especially in the construction of aircraft hangars and airports. The key area of the M&E business exploration would be in the Middle East, where construction activities are happening at a blistering pace, as a result of the continuous rise in oil prices.

The increasing need for larger and more complicated aircraft MRO (Maintenance, Repair and Overhaul) facilities coupled with the higher demand for aircraft namely in the Middle East, and to cater for the rapidly increasing numbers of passengers resulted in a huge shortage of large and complete MRO facilities and airports. MRO facilities (aircraft hangars) are complex structures with complex M & E requirements, where there are only a few players in the market. Being Asian amongst the many European players, and with our Design and Build capacity we can be competitive

(iv) Industrial Automation Division

The Group, through its strategic alliance with a Japanese partner is involved in the provision of industrial automation specialising in Automatic Storage and Retrieval Systems ("ASRS"). The logistic solutions offered by the Group focus on efficient storage of goods while preserving their quality and facilitate smooth retrieval as and when needed. Some of the solutions offered can help improve product quality during speedy inspection, perform multiple distribution centres with cross-docking facilities, enable the timely supply of large variety/high volume goods and demand can be ascertained in real time through the inventory control system.

(v) ICT Support System Division



In order to diversify itself from automation businesses, ICT support system has been established to complement its existing business activities and to broaden the value-added services provided.

(a) e-Claim Medical System

The Group through its subsidiary, MICSB is involved in the provision of a Third Party Administrator (TPA) & Managed Care Organisation (MCO) for healthcare sector via the connectivity applications & infrastructure for the exchange of transactional information through internet ("iCare system"). The iCare system is a third party administration system to provide healthcare service providers, insurance companies, insurance brokers, commercial companies and its employees with an easy one-stop claims and data processing and management. The iCare system will run on a Application Service Provider concept whereby transaction fees / headcount fees will be levied accordingly. The entire end-to-end system will be developed in .NET technology, with 3 main users, namely, insurance companies/corporates, the company's Administrator and healthcare service providers.

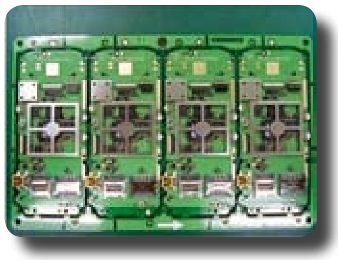
(b) Network Infrastructure and Security System

The network infrastructure and security system that was developed by the Group's associate, Ariantec, is commonly known as the anti-spam system. Anti-spam system refers to software that is designed to stop spam emails from reaching the recipients. Generally, there are two (2) main functions in the anti-spam system, blocking and filtering. Anti-spam system rejects emails from Internet sites known or likes to send spam. It also automatically analyse the content of email messages and weed out those which resemble spam. All unwanted emails can be filtered at the desktop, the network email server or email gateway, or all three locations. The target market for this system are the local and international IBMS and ISMS users.

(vi) Design and Manufacturing

Through the investment in Unilink, the Group is able to penetrate the fast-growing telecommunications industry in China and to diversify into manufacturing activities in addition to its current contract-based projects.

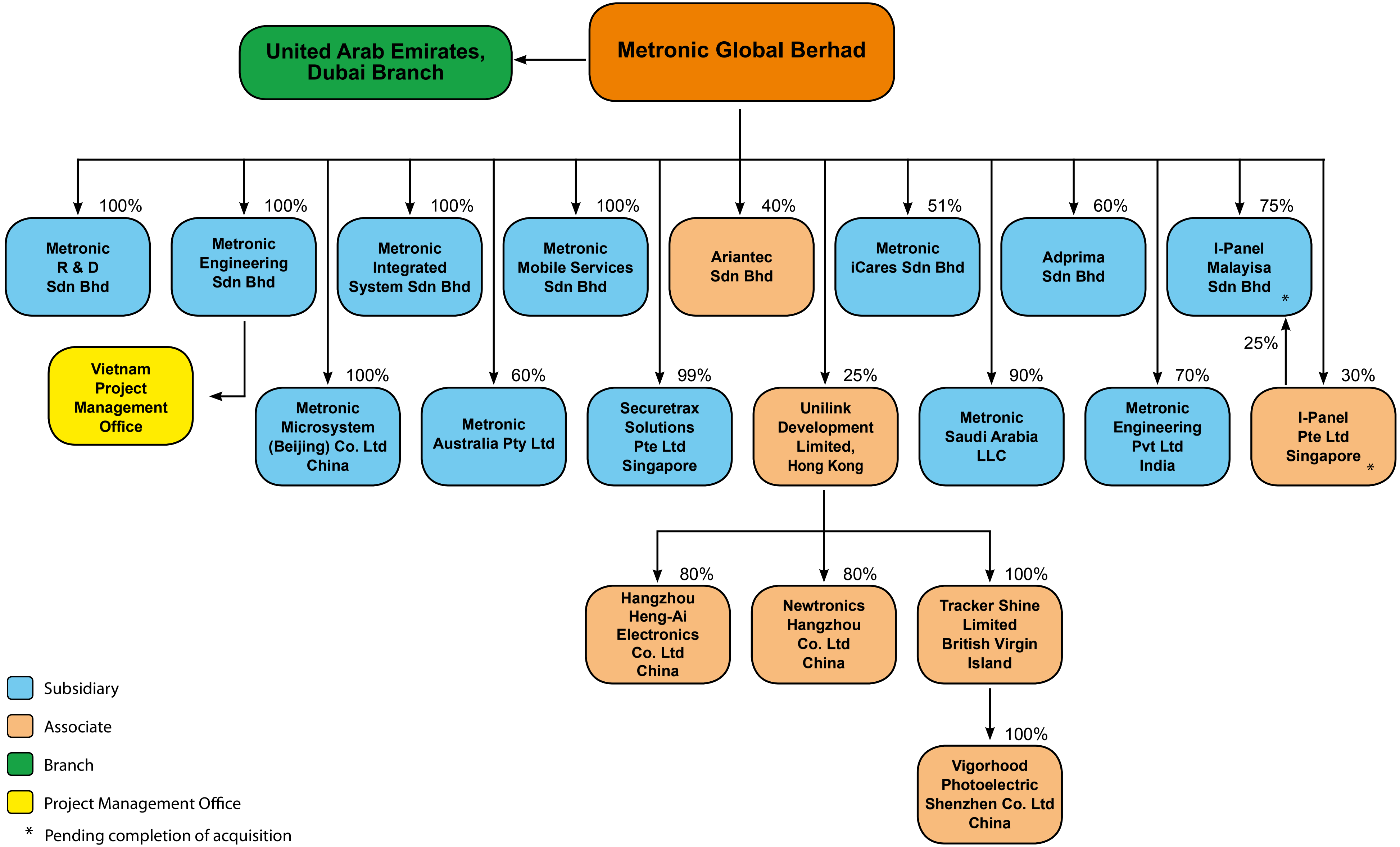
The services provided by Newtronics and Heng-Ai include the following:-



- Lead free printed circuit board and cellular phone assembly;
- New products management and support, including prototype manufacturing, design for manufacturing analysis report, testing platform support, testing flow design as well as manufacturing process design; and
- After sales repair services

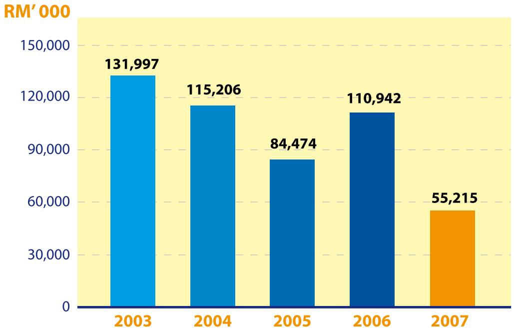
The services provided by Vigorhood are manufacturing and sale of digital cameras.

Corporate Structure As At 01 May 2008

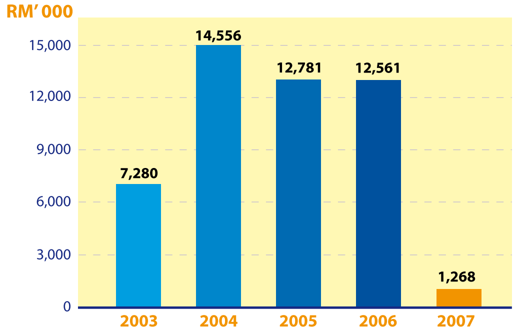


Financial Highlights

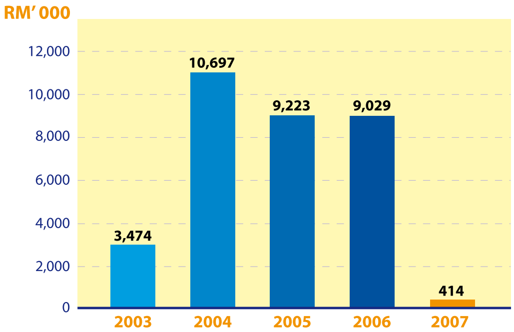
REVENUE



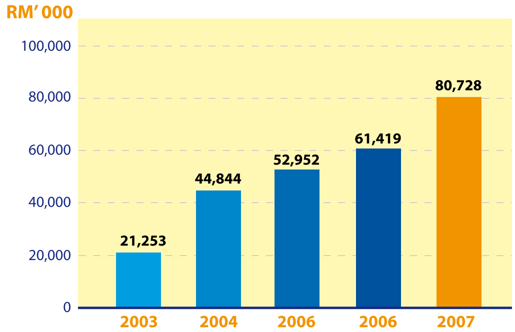
PROFIT BEFORE TAX



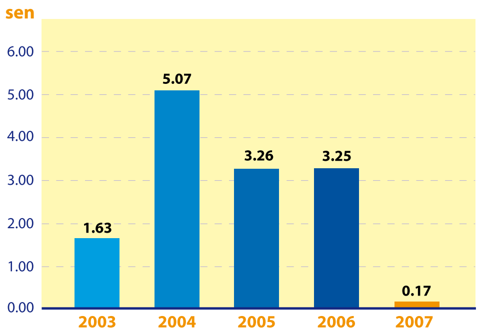
PROFIT FOR THE YEAR



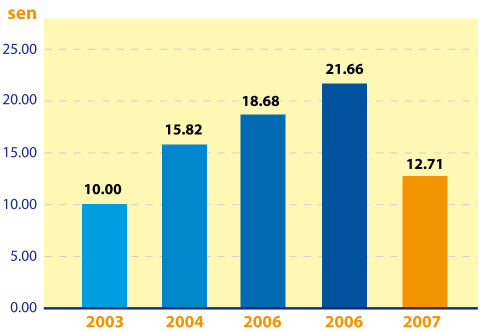
SHAREHOLDER'S FUNDS



NET EARNINGS PER SHARE



NET ASSETS PER SHARE



	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	131,997	115,206	84,474	110,942	55,215
Profit before tax	7,280	14,556	12,781	12,561	1,268
Profit for the year	3,474	10,697	9,223	9,029	414
Profit attributable to equity holders of the Company	3,474	10,697	9,249	9,215	988
Shareholders' funds	21,253	44,844	52,952	61,419	80,728
Net earnings per share (sen)	1.63	5.07	3.26	3.25	0.17
Net assets per share attributable to equity holders of the Company (sen)	10.00	15.82	18.68	21.66	12.71

Note:

The figures for the financial year ended 31 December 2003 are provided on the proforma consolidated basis on the assumption that the existing group structure of MGB had been in existence since 1 January 2003.

The audited financial statements of MGB's subsidiaries had only been consolidated into the Group financial statements from 18 March 2004, being the date of completion of the acquisitions.

Tan Sri Dato' Kamaruzzaman bin Shariff
Executive Chairman
a Malaysian aged 66

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 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 Bintai Kinden Corporation Berhad and Lereno Bio-Chem Ltd, Singapore. He is also a director of Kontena National Berhad

He has no family relationship 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 31 to the Financial Statements. He has no convictions of any offences in the past 10 years. He is a shareholder of the Company.

Dato' Abd. Gani bin Yusof
Executive Vice-Chairman
a Malaysian aged 53

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 relationship 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 31 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 52

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 relationship 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 31 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 52

He was appointed as the Executive Director of the Company on 22 March 2004. He is also amember of the 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 relationship 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 31 to the Financial Statements. He had no convictions of any offences in the past 10 years He is a major shareholder of the Company.

Lee Fok Chong
Independent Non-Executive Director
a Malaysian aged 57

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. . During 1991 to 1996, he had also lectured in Finance and Accounting for the MBA Distance Learning Programme of The University of Strathclyde, Glassgow, 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, Shenzen 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 relationship 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 31 to the Financial Statements. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

Datuk Subhi bin Hj Dziyauddin
Independent Non-Executive Director
a Malaysian aged 44

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.

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

He has no family relationship 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 31 to the Financial Statements. 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 50

He was appointed as the Independent Non-Executive Director of the Company on 6 August 2004. He is also members of 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' Sri 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 relationship 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 31 to the Financial Statements. 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 46

He was appointed as the Independent Non-Executive Director of the Company on 28 December 2004 and redesignated to Non-Independent Non-Executive Director on 31 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 relationship 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 31 to the Financial Statements . He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

Gu Ying
Non-Independent Non-Executive Director
a citizen of People's Republic of China, aged 36

He was appointed as the Non-Independent Non-Executive Director of the Company on 20 July 2007. He graduated with a Bachelor of Electrical and Electronic from Xi'an Jiaotong University, China in 1993 and a Master of Business Administration from Arizona States University USA in 2003. Upon graduation in 1993, he started his career as leader engineer in Eartern Communication Company Limited, China. On 1996 he joined Hangzhou Motorola Cellular Equipment Company Limited, China as Operation Manager. After spending 10 years working life in the tele-communication industry, he ventured into business via setting up Newtronics Hangzhou Company Limited, China.

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

He has no family relationship 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 31 to the Financial Statements. He had no convictions of any offences in the past 10 years. He is a major shareholder of the Company.

Edmund Chuah Choong Eng Huat
Non-Independent Non-Executive Director
a Malaysian aged 46

He was appointed as the Non-Independent Non-Executive Director of the Company on 20 July 2007. Upon graduation in 1985, from Trinity College Dublin, University of Dublin, Ireland, he then started working as a design engineer in the field of structural engineering for 3 years after which he obtained a schorlarship from National University of Singapore to pursue his Post Graduate in Mechanical & Electrical Engineering. Upon completing his Masters in Engineering, he setup ER Mekatron Sdn Bhd whereby he is the Managing Director.

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

He has no family relationship 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 31 to the Financial Statements. He had no convictions of any offences in the past 10 years. He is shareholder of the Company.

On behalf of the Board of Directors of Metronic Global Berhad ("MGB" or "the Company"), I am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 31 December 2007.

Corporate Developments

1) On 14 August 2006, the Company had, via its advisor, HWANGDBS Investment Bank Berhad (formerly known as Hwang-DBS Investment Bank Berhad) (formerly known as Hwang-DBS Securities Berhad) ("HWANGDBS") announced the following proposals:

   (i) Proposed acquisition of 125 ordinary shares of Hong Kong Dollar ("HK$") 1.00 each in Unilink Development Limited ("Unilink") ("Unilink Shares") representing 12.5% equity interest in Unilink for a purchase consideration of Renminbi ("RMB") 15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new ordinary shares of RM0.10 each in MGB ("MGB Shares") at an issue price of RM0.30 per MGB Share ("Proposed Acquisition of Unilink");

   (ii) Proposed acquisition of 10,000 ordinary shares of HK$1.00 each in HK Broadway Electronics Company Limited ("HK Broadway") ("HK Broadway Shares") representing 100% equity interest in HK Broadway for a purchase consideration of RMB15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new MGB Shares at an issue price of RM0.30 per MGB Share ("Proposed Acquisition of HK Broadway);

   (iii) Proposed call option arrangement between MGB and Zonemax whereby Zonemax has granted MGB a call option to acquire 563 Unilink Shares representing approximately 56.25% equity interest in Unilink for a purchase consideration of RMB67,500,000 ("Call Option") which shall be satisfied by the issuance of up to 103,686,636 new MGB Shares at an issue price of RM0.30 and/or cash payment to be mutually agreed upon by Zonemax and MGB or, if the Proposed Bonus Issue (as defined hereinafter) is implemented, 182,976,416 new MGB Shares at an issue price of RM0.17 per MGB Share and/or cash payment to be mutually agreed by Zonemax and MGB ("Proposed Call Option");

   (iv) Proposed private placement of up to 42,531,000 new MGB Shares ("Placement Shares") representing fifteen percent (15%) of the existing issued and paid-up share capital of MGB at an issue price to be determined based on a discount of not more than ten percent (10%) on the five (5) day volume weighted average market price of Company's Shares ("VWAMP") ("Proposed Private Placement");

   (v) Proposed bonus issue of up to 318,989,098 new Company's Shares ("Bonus Shares") to be credited as fully paid-up on the basis of six (6) Bonus Shares for every seven (7) MGB Shares held ("Proposed Bonus Issue");

   (vi) Proposed increase in the authorised share capital of MGB from RM50,000,000 comprising 500,000,000 MGB Shares to RM100,000,000 comprising 1,000,000,000 Company's Shares ("Proposed IASC");

   (vii) Proposed amendments to the Memorandum and Articles of Association ("M&A") of Company's ("Proposed M&A Amendments"); and

   (viii) Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of the Company from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer").

   On 6 November 2006, the Company, via its advisor further announced that the Securities Commission ("SC") (Securities Issues Department and Equity Compliance Unit), had, vide its letter dated 3 November 2006, approved the above Proposals, subject to the conditions as stated in the said announcement. On 24 January 2007, the Company's advisor further announced that SC had vide its letter dated 19 January 2007 approved a revision to certain terms and conditions of the above proposals.

On 26 February 2007, the Company's advisor further announced that Bank Negara Malaysia ("BNM") had, vide its letter dated 14 February 2007 approved the investment abroad to be made by MGB for the Proposed Acquisition of Unilink and the Proposed Call Option subject to certain conditions. The Proposed Acquisition of HK Broadway has been registered with BNM.

All the above proposals have been approved by the shareholders of MGB at the Extraordinary General Meeting held on 23 April 2007.

On 7 May 2007, the Company, via HWANGDBS announced that Bursa Malaysia Securities Berhad had, vide its letters dated 4 May 2007 granted its approval for the listing and quotation of new MGB shares to be issued pursuant to the Proposed Bonus Issue, Proposed Private Placement, Proposed Acquisitions and Proposed Call Option; and transfer of the Company's entire enlarged issued and paid-up share capital from the MESDAQ Market to the Main Board of Bursa Securities, under the "Technology" sector on a "Ready" basis pursuant to the Rules of Bursa Securities;

On 11 May 2007, HWANGDBS announced that on 10 May 2007, MGB had entered into a Supplemental Call Option Agreement with Zonemax to vary the Call Option Agreement entered into between MGB and Zonemax dated 14 August 2006 ("Proposed Variation to Call Option"). On even date, HWANGDBS also announced that MGB proposes to vary the conditionality of the Proposals ("Proposed Variation to Conditionality"). The details of Proposed Variation to Call Option and Proposed Variation to Conditionality are stated in the said annoucement. An application was submitted to the Securities Commission on 14 May 2007 in respect of the Proposed Variation to Call Option and Proposed Variation to Conditionality. The SC had, vide its letter dated 15 June 2007, granted its approval for the Proposed Variation to Conditionality. The Proposed Variation to Call Option and Proposed Variation to Conditionality have been approved by the shareholders at the Extraordinary General Meeting held on 27 June 2007.

MGB's additional 12,250,000 new ordinary shares of RM0.10 each issued at RM0.42 per share, being a portion or first (1st) tranche of the Private Placement were granted listing and quotation with effect from 29 June 2007.

MGB's additional 46,082,948 new ordinary shares of RM0.10 each issued at RM0.30 pursuant to the acquisition of HK Broadway and Unilink ("Acquisitions") were granted listing and quotation with effect from 12 July 2007.

MGB's additional 293,033,955 new ordinary shares of RM0.10 each issued pursuant to the Bonus Issue were granted listing and quotation with effect from 12 July 2007.

MGB's entire issued and paid-up share capital of RM63,490,690.30 comprising 634,906,903 ordinary shares of RM0.10 each were transferred from the MESDAQ Market to the Main Board of Bursa Securities under the "Technology" sector on a "Ready" basis pursuant to the Rules of Bursa Securities on 12 July 2007.

On 10 August 2007, HWANGDBS announced that with the exception of the Private Placement, the abovementioned corporate exercises were completed with the transfer of the listing and quotation for the ordinary shares of RM0.10 each in MGB from the MESDAQ market to Main Board of Bursa Securities on 12 July 2007.

MGB had on 15 August 2007 submitted an application to the SC to seek a waiver in respect of the placement of second (2nd) tranche of 7,500,000 ordinary shares of RM0.10 each to be issued pursuant to the Private Placement to bumiputra placee(s) ("Placement Shares") as the identified bumiputra placee has informed the Company that he does not wish to subscribe for the Placement Shares. However, the SC had, vide its letter dated 14 September 2007, informed MGB that it is not able to consider the Company's application for a waiver from having to place out the Placement Shares to bumiputera placees. The SC has granted an extension of time of one year until 17 August 2008 for MGB to comply with the bumiputera equity condition.

2) On 3 December 2007, the Company incorporated a foreign subsidiary in the Kingdom of Saudi Arabia ("KSA") vide a subscription of 450,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each representing 90% equity interest in Metronic Saudi Arabia LLC ("MSA") for a total cash consideration of SAR450,000. The remaining 10% equity interest is held by a local partner, Close Deal (ITMAM AL-ITIFAKIA). The intended principal activities of MSA are design, production and sale of engineering systems for the Information, Communication and Technology Industry in the KSA, specialising in intelligent building management system and integrated security management system.

3) On 31 December 2007, MGB acquired 125 ordinary shares of Hong Kong Dollar ("HK$") 1.00 each in Unilink Development Limited ("Unilink") ("Unilink Shares") representing 12.5% equity interest in Unilink from Newtron Company Limited ("Newtron"); in consideration, MGB disposed 10,000 ordinary shares of HK$1.00 each in Hong Kong Broadway Electronics Company Limited ("HK Broadway") representing 100% equity interest in HK Broadway to Newtron.

4) On 30 January 2008, MGB announced that the Company had on even date entered into a Shares Sale Agreement ("Agreement") with Goldis Berhad ("Goldis") for the acquisition of the following shares ("Proposed Acquisition"):-

   (i) 750,000 ordinary shares of RM1.00 each in IPanel Malaysia Sdn Bhd ("IPM") representing 75% equity interest in IPM for a cash consideration of Ringgit Malaysia ("RM") 1,055,103;
   (ii) 136,500 ordinary shares of S$1.00 each in IPanel Pte Ltd ("IPS") representing 30% equity interest in IPS for a cash consideration of RM10,197.00; and
   (iii) 60,000 preference shares of S$1.00 each in IPS for a cash consideration of RM134,700.00 from Goldis.

   The total cash consideration for the Proposed Acquisition amounted to RM1,200,000. The principal activity of IPM is research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system. The principal activity of IPS is sale of electronic products and intelligent facilities management system. IPS is the registered and beneficial owner of 250,000 ordinary shares of RM1.00 each or 25% in IPM.

Financial Review

The Group's revenue of RM55.21 million for the current financial year ended 31 December 2007 is RM55.73 million or 50% lower than the revenue of RM110.94 million reported in the previous financial year ended 31 December 2006. This is mainly due to the fact that the projects carried out during the current financial year are mainly the provision of engineering solutions in relation to Intelligent Building Management System ("IBMS") and Integrated Security Management System ("ISMS") which are of smaller scale compared to the e-Project Management of Medical & Non-Medical Equipment implemented during previous financial year. In line with the drop in revenue, coupled with the increase in operating expenses, the profit before taxation for the current financial year ended 31 December 2007 is reported at RM1.27 million, which is RM11.29 million or 90% lower than the corresponding figure of RM12.56 million reported in the previous financial year ended 31 December 2006. The drop in profit, however, is mitigated by the share of profit of the associates.

Prospects for 2008

The IBMS and ISMS market is expected to remain competitive in the forthcoming year. The Group will continue focusing on product expansion and enhancement, service quality and operational efficiency to stay competitive in the market. The Group's core business, i.e. provision of engineering solutions in relation to IBMS and ISMS, is expected to remain as the main contributor to the Group's revenue and results for the forthcoming year. Besides IBMS and ISMS projects, the Group has also been actively tendering for larger scale projects in relation to Mechanical and Electrical Engineering, both locally and overseas. In addition, the Company's associated companies that were acquired during the current financial year are expected to make a positive contribution to the Group's profit for the year 2008. The Directors are of the opinion that the Group should be able to perform better in the forthcoming year.

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")(Revised 2007) 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 ten (10) 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 Director 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 2007					Total
		28.2.07	26.4.07	29.5.07	29.8.07	28.11 07	
Tan Sri Dato' Kamaruzzaman Shariff	Executive Chairman	@	@	@	@	@	5
Dato' Abd Gani bin Yusof	Executive Vice- Chairman	*	@	@	@	@	4
Dr. Ng Tek Che	Group Managing Director	@	@	@	@	@	5
Liew Chiap Hong	Executive Director	@	@	@	@	@	5
Lee Fok Chong	Independent Non-Executive Director	@	@	@	@	@	5
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director	@	*	*	@	*	2
Amirudin bin Mohd Baria	Independent Non-Executive Director	@	@	@	*	@	4
Li Ji Chang	Non-Independent Non- Executive Director	*	*	*	*	*	0
Edmund Chuah Choong Eng Huat	Non Non-Independent Non- Executive Director	*N/A*	*N/A*	*N/A*	*	@	1
Gu Ying	Non-Independent Non- Executive Director	*N/A*	*N/A*	*N/A*	*	@	1

@ - *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 three (3) members of whom all are Independent Non-Executive Directors. The members are:

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

Details of the functions and activities of the committee are set out on pages 26 to 28 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
Datuk Subhi bin Hj Dziyauddin *(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
Datuk Subhi bin Hj Dziyauddin	-	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 in year 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 29 to 30 of the Annual Report.

5) Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd in compliance with the Listing Requirement of Bursa Securities. The Board believes that Directors should receive continuous training from time to time and accordingly shall and 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, 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) Mr Edmund Chuah Choong Eng Huat

ii) Mr Gu Ying

iii) Mr Li Ji Chang

iv) Encik Amirudin bin Mohd Baria

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)	846,568	–	846,568

* *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	1	–

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 29 to 30 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 2007, 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 2007.

Utilisation of Proceeds

MGB's additional 12,250,000 new ordinary shares of RM0.10 each issued at RM0.42 per share, being a portion or first (1st) tranche of the Private Placement were granted listing and quotation with effect from 29 June 2007. The total proceeds of RM5,145,000 raised had been fully utilized as working capital and expenses for the Group's corporate exercise during the financial year.

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 2007 was RM213,480. The fee was related to the professional services rendered in respect of the Group's corporate exercise in 2007.

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 2007.

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 31 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.

Corporate Social Responsibility

On 10 May 2008, the management of the Company undertook a corporate social responsibility activity by visiting a welfare home for abandoned children at Good Samaritan Home, Klang.

Recurrent Related Parties Transactions

The Shareholders' of MGB had at the Fourth (4th) Annual General Meeting held on 27 June 2007 granted their approval on the Shareholders' Mandate for recurrent related party transactions ('RRPTs") for MGB and its subsidiaries ("MGB Group") to enter into 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 4 June 2007.

For the financial year ended 31 December 2007, the aggregate value of transactions conducted are as follows:

Companies within the MGB Group	Transacting Parties	Nature of Transactions	Related Parties	Nature of relationship	Aggregate Value of Transaction from January 2007 to December 2007 (RM)
(i) MESB	MCSB	Rental of office space to MCSB on a monthly basis	Dato' Abd. Gani bin Yusof Dr. Ng Tek Che Liew Chiap Hong MCSB	Note (a)	12,000
(ii) MESB	ERM	Contract fee payable to ERM in respect of installation services	Edmund Chuah Choong Eng Huat	Note (b)	2,908,587
(iii) MESB	ITG	Purchases of consumable parts from ITG	Liew Chiap Hong	Note (c)	1,089,255
(iv) MESB	ITG	Rental of office space to ITG on a monthly basis	Liew Chiap Hong	Note (c)	12,000
(v) MISSB	ITG	Provision of accountancy services to ITG	Liew Chiap Hong	Note (c)	24,000
(vi) MESB	ICSB	Contract fee payable to ICSB in respect of installation services	Dato' Abd. Gani bin Yusof	Note (d)	–
(vii) MESB	ICSB	Maintenance revenue receivable from ICSB in respect of maintenance services	Dato' Abd. Gani bin Yusof	Note (d)	91,316
(viii) 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	Tan Sri Dato' Kamaruzzaman bin Shariff Dato' Abd. Gani bin Yusof	Note (e)	10,222,414
(ix) MISSB	MCSB	Provision of accountancy services to MCSB	Dato' Abd. Gani bin Yusof Dr. Ng Tek Che Liew Chiap Hong MCSB	Note (a)	60,000

Notes:

(a) Dato' Abd. Gani bin Yusof, Dr. Ng Tek Che and Liew Chiap Hong who are Directors of MGB, are also directors and shareholders of Metronic Corporation Sdn Bhd ("MCSB"), with shareholdings of 58%, 22% and 20% respectively.

(b) Edmund Chuah Choong Eng Huat, who is a Director of MGB, is also a Director of ERM with a direct equity interest of 50% and an indirect equity interest of 50% by virtue of his spouse's interest in ERM.

(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").

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 2007 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 (Resigned on 23 October 2007)

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. The last review was performed on 28 November 2007.

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 2007, the Audit Committee convened five (5) meetings. Details of the attendance of the committee members are as follows:

	No. of meetings held during the year	No. of meetings attended	%
Members			
Lee Fok Chong	5	5	100
Subhi bin Hj Dziyauddin	5	2	40
Amirudin bin Mohd Baria	5	4	80
Liew Chiap Hong *(Resigned on 23 October 2007)*	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 Listing Requirements of Bursa Malaysia Securities Berhad require directors of public listed companies to include a statement on internal control in their annual reports.

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 2007.

1. Board's Responsibility

The Board recognises 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 ("the System") and for reviewing its adequacy and integrity.

It should be noted due to the inherent limitations, the System is designed to manage rather than eliminate the risk of failure to achieve Group's business objectives. Accordingly, the System 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. Risk assessment and evaluation is an integral part of the Group's business and operating processes. The Heads of Department are responsible for managing the risks of their respective department as part of their day-to-day duties.

In addition, the Risk Management Committee ("RMC") that was established in the year 2005 undertakes the responsibilities of overseeing the formulation of an effective and efficient risk management framework and policies for the Group of which the key element is to ensure correct balancing of risk and control. The RMC, headed by the Group Managing Director, comprises members from amongst the senior management and is under the purview of the Board.

The RMC meets regularly to carry risk evaluation on capital expenditures, business ventures into new areas of business, investments inside and outside Malaysia and transactions which carry exceptional items, conditions or obligations including contingent obligations. The RMC then advises the Board on risk related issues and recommend strategies, policies, and risks tolerance for Board approval.

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 three (3) 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

Apart from risk management and internal audit, the Group's other key internal control processes include the following:

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. The Audit Committee was established with a view to assist and to provide the Board with added focus in discharging its duties.

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

iv) 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.

v) 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.

vi) 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 material or 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.

Directors' Report and Audited Financial Statements

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 2007.

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; supply of engineering systems and engineering equipment; and provision of online administration services for the healthcare sector.

During the financial year, the Company:

(i) acquired two new subsidiaries, namely Adprima Sdn. Bhd. and Hong Kong Broadway Electronics Company Limited, and later at year end disposed of Hong Kong Broadway Electronics Company Limited;

(ii) incorporated two new subsidiaries, namely, Securetrax Solutions Private Limited and Metronic Saudi Arabia Limited Liability Company; and

(iii) invested in two associates, namely Ariantec Sdn. Bhd. and Unilink Development Limited.

The principal activities and intended principal activities of these new subsidiaries and associates have been disclosed in Note 16 and Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed above.

RESULTS

	Group RM	Company RM
Profit for the year	413,738	324,079
Attributable to:		
Equity holders of the Company	988,055	324,079
Minority interests	(574,317)	–
	413,738	324,079

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 subsidiaries and associates as disclosed in Note 16 and Note 17 to the financial statements.

DIVIDENDS

There were no dividend paid by the Company since 31 December 2006.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2007.

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
Datuk Subhi bin Hj Dziyauddin
Dr Ng Tek Che
Liew Chiap Hong
Lee Fok Chong
Amirudin bin Mohd Baria
Li Ji Chang
Edmund Chuah Choong Eng Huat *(appointed on 20 July 2007)*
Gu Ying *(appointed on 20 July 2007)*

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 end 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 required to be disclosed by Section 169 (8) of the Companies Act, 1965, except as disclosed in Note 31 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 1.1.2007	Bought/ Bonus issue During the year	Sold During the year	As at 31.12.2007
Direct Interest:				
Dato' Abd. Gani bin Yusof	88,925,120	91,842,204	(14,000,000)	166,767,324
Dr Ng Tek Che	33,541,930	36,647,245	(11,000,000)	59,189,175
Liew Chiap Hong	26,541,930	41,361,529	(20,000,000)	47,903,459
Tan Sri Dato' Kamaruzzaman bin Shariff	500,000	3,214,285	–	3,714,285
Edmund Chuah Choong Eng Huat	619,400	85,714	(519,400)	185,714
Indirect Interest:				
Dato' Abd. Gani bin Yusof	42,531,000	36,456,176	(78,986,142)	1,034
Dr Ng Tek Che	42,531,000	36,456,176	(78,986,142)	1,034
Liew Chiap Hong	42,531,000	36,456,176	(78,986,142)	1,034
Edmund Chuah Choong Eng Huat	200,000	358,999	–	558,999
Gu Ying *	–	42,791,308	(6,400,000)	36,391,308

By virtue of his interest in the shares of the Company, Dato' Abd. Gani bin Yusof is also deemed to have an interest in the shares of all subsidiaries of the Company to the extent the Company has an interest.

* via Newtron Company Limited (BVI)

None of the other directors holding office at 31 December 2007 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

ISSUES OF SHARES

During the financial year, the Company increased its:

(a) authorised ordinary share capital from RM50,000,000 to RM100,000,000 through the creation of 500,000,000 ordinary shares of RM0.10 each, and

(b) issued and paid-up ordinary share capital from RM28,354,000 to RM63,490,690 by way of:

(i) the issuance of 12,250,000 ordinary shares of RM0.10 each through a private placement at an issue price of RM0.42 per ordinary share for cash, for additional working capital purposes;

(ii) the issuance of 23,041,474 ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share as the purchase consideration for the acquisition of Unilink Development Limited, a company incorporated in Hong Kong;

(iii) the issuance of 23,041,474 ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share as the purchase consideration for the acquisition of Hong Kong Broadway Electronics Company Limited, a company incorporated in Hong Kong; and

(iv) the issuance of 293,033,955 ordinary shares of RM0.10 each pursuant to bonus issue on the basis of six (6) new ordinary shares for every seven (7) existing ordinary shares held.

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

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 provisions for doubtful debts and satisfied themselves that there were no known bad debts and adequate provisions have 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 provisions for doubtful debts in 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 or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

(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.

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant and subsequent events are disclosed in Note 16, Note 17, Note 25, Note 34 and Note 35 to the financial statements respectively.

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 dated 29 April 2008.

Dato' Abd. Gani bin Yusof **Dr Ng Tek Che**

Selangor Darul Ehsan

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 38 to 89 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 dated 29 April 2008.

Dato' Abd. Gani bin Yusof **Dr Ng Tek Che**

Selangor Darul Ehsan

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 38 to 89 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 29 April 2008 **Dr Ng Tek Che**

Before me,

We have audited the financial statements set out on pages 38 to 89. 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 Financial Reporting 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 2007 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 and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 16 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. 1685/04/09(J)
Partner

Kuala Lumpur, Malaysia
29 April 2008

Income Statements For The Year Ended 31 December 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Revenue	5	55,214,737	110,941,715	–	21,600,000
Cost of sales	6	(42,499,108)	(87,649,693)	–	–
Gross profit		12,715,629	23,292,022	–	21,600,000
Other income	7	650,793	739,437	1,214,057	50,970
Administration expenses		(3,311,490)	(2,404,327)	(786,214)	(529,123)
Other operating expenses		(11,478,818)	(8,873,869)	(175,773)	(97,621)
(Loss)/profit from operations		(1,423,886)	12,753,263	252,070	21,024,226
Finance costs	8	(454,591)	(192,595)	(21,989)	–
Share of profit of associates		3,146,332	–	–	–
Profit before taxation	9	1,267,855	12,560,668	230,081	21,024,226
Income tax expense	10	(854,117)	(3,532,093)	93,998	(6,002,257)
Profit for the year		413,738	9,028,575	324,079	15,021,969
Attributable to:					
Equity holders of the Company		988,055	9,214,592	324,079	15,021,969
Minority interest		(574,317)	(186,017)	–	–
		413,738	9,028,575	324,079	15,021,969

	Note	Group 2007	Group 2006
Earnings per share (sen):			
Basic	11	0.17	1.75
Diluted	11	0.17	1.75

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

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	13	10,819,664	11,119,357	–	–
Investment properties	14	394,483	399,750	–	–
Intangible assets	15	3,710,942	3,195,231	–	–
Investment in subsidiaries	16	–	–	29,467,211	27,671,155
Investment in associates	17	23,686,416	–	21,514,409	–
Other investments	18	674,484	546,482	–	–
Deferred tax assets	19	1,663,440	1,371,000	–	–
		40,949,429	16,631,820	50,981,620	27,671,155
CURRENT ASSETS					
Inventories	20	4,514,394	4,829,625	–	–
Trade receivables	21	98,078,551	101,684,285	–	–
Other receivables	21	2,328,242	4,195,478	20,664,471	21,190,098
Short term deposits	23	7,370,557	6,815,888	1,063,729	1,024,544
Cash and bank balances	24	2,874,676	4,148,718	323,435	227,302
		115,166,420	121,673,994	22,051,635	22,441,944
TOTAL ASSETS		156,115,849	138,305,814	73,033,255	50,113,099
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	63,490,690	28,354,000	63,490,690	28,354,000
Share premium		–	6,406,222	–	6,406,222
Foreign currency translation reserve	26	143,993	(51,769)	–	–
Retained profit	27	17,092,864	26,710,304	4,506,264	14,787,680
		80,727,547	61,418,757	67,996,954	49,547,902
Minority interest		820,375	1,139,138	–	–
TOTAL EQUITY		81,547,922	62,557,895	67,996,954	49,547,902

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
NON-CURRENT LIABILITIES					
Hire purchase payables	28	83,800	107,037	–	–
		83,800	107,037	–	–
CURRENT LIABILITIES					
Trade payables	29	51,985,374	66,216,200	–	–
Other payables	29	13,245,531	5,364,139	5,036,301	565,197
Bank borrowings	30	9,246,386	3,036,543	–	–
Provision for taxation		6,836	1,024,000	–	–
		74,484,127	75,640,882	5,036,301	565,197
TOTAL LIABILITIES		74,567,927	75,747,919	5,036,301	565,197
TOTAL EQUITY AND LIABILITIES		156,115,849	138,305,814	73,033,255	50,113,099

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

	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Retained profit RM	Total RM	Minority Interest RM	Total Equity RM
		← Attributable to Equity Holders of the Parent				→		
			Non-Distributable Reserve		Distributable Reserve			
Group								
At 1 January 2006		28,354,000	6,406,222	83,729	18,108,159	52,952,110	–	52,952,110
Currency translation differences		–	–	(135,498)	–	(135,498)	–	(135,498)
Acquisition and subscription of shares in subsidiaries by minority shareholder		–	–	–	–	–	1,325,155	1,325,155
Net profit for the year		–	–	–	9,214,592	9,214,592	(186,017)	9,028,575
Dividends	12	–	–	–	(612,447)	(612,447)	–	(612,447)
At 31 December 2006		28,354,000	6,406,222	(51,769)	26,710,304	61,418,757	1,139,138	62,557,895
At 1 January 2007		28,354,000	6,406,222	(51,769)	26,710,304	61,418,757	1,139,138	62,557,895
Issue of ordinary shares:								
Issued for cash		1,225,000	3,920,000	–	–	5,145,000	–	5,145,000
Acquisition of subsidiary		2,304,147	4,608,295	–	–	6,912,442	–	6,912,442
Acquisition of associate		2,304,147	4,608,295	–	–	6,912,442	–	6,912,442
Pursuant to bonus issue		29,303,396	(18,697,901)	–	(10,605,495)	–	–	–
Transaction costs		–	(844,911)	–	–	(844,911)	–	(844,911)
Currency translation differences		–	–	195,762	–	195,762	(19)	195,743
Acquisition and subscription of shares in subsidiaries by minority shareholder		–	–	–	–	–	255,573	255,573
Net profit for the year		–	–	–	988,055	988,055	(574,317)	413,738
At 31 December 2007		63,490,690	–	143,993	17,092,864	80,727,547	820,375	81,547,922

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

Statements Of Changes In Equity For The Year Ended 31 December 2007

	Note	Non-Distributable Reserve Share capital RM	Non-Distributable Reserve Share premium RM	Distributable Retained profit RM	Total equity RM
Company					
At 1 January 2006		28,354,000	6,406,222	378,158	35,138,380
Net profit for the year		–	–	15,021,969	15,021,969
Dividends	12	–	–	(612,447)	(612,447)
At 31 December 2006		28,354,000	6,406,222	14,787,680	49,547,902
At 1 January 2007		28,354,000	6,406,222	14,787,680	49,547,902
Issue of ordinary shares:					
Issued for cash		1,225,000	3,920,000	–	5,145,000
Acquisition of subsidiary		2,304,147	4,608,295	–	6,912,442
Acquisition of associate		2,304,147	4,608,295	–	6,912,442
Pursuant to bonus issue		29,303,396	(18,697,901)	(10,605,495)	–
Transaction costs		–	(844,911)	–	(844,911)
Net profit for the year		–	–	324,079	324,079
At 31 December 2007		63,490,690	–	4,506,264	67,996,954

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	1,267,855	12,560,668	230,081	21,024,226
Adjustments for:				
Loss/(gain) on disposal of property, plant and equipment	4,648	(335,243)	–	–
Gain on disposal of quoted securities	(283,059)	–	–	–
Gain on disposal of subsidiary	–	–	(1,160,105)	–
Unrealised foreign exchange (gains)/losses	(44,528)	238,748	–	–
Depreciation of property, plant and equipment	604,825	636,647	–	–
Depreciation of investment properties	5,267	11,188		
Amortisation and write-off of intangible assets	821,947	197,939	–	–
Provision for doubtful debts	897,740	453,028	–	–
Write back of provision for doubtful debts	(596,386)	(26,750)	–	–
Reversal of impairment loss on quoted securities	(223,002)	(132,332)	–	–
Impairment loss on investment properties	–	328,217	–	–
Provision for defect liabilities	989,186	820,796	–	–
Inventories written off	1,398,482	84,562	–	–
Share of profit of associates	(3,146,332)	–	–	–
Finance cost	454,591	192,595	21,989	–
Dividend income	–	–	–	(21,600,000)
Interest income	(259,579)	(263,918)	(53,952)	(50,970)
Operating profit/(loss) before working capital changes	1,891,655	14,766,145	(961,987)	(626,744)
Changes in working capital:				
Inventories	(1,083,251)	471,872	–	–
Receivables	5,994,495	(36,389,313)	(4,227,875)	(15,531,818)
Payables	(11,407,669)	26,008,503	5,268,604	532,387
Net cash (used in)/generated from operations brought forward	(4,604,770)	4,857,207	78,742	(15,626,175)
Taxes paid	(2,945,536)	(3,704,873)	–	(5,656)
Interest paid	(454,591)	(192,595)	(21,989)	–
Interest received	259,579	263,918	53,952	50,970
Net cash (used in)/generated from operating activities	(7,745,318)	1,223,657	110,705	(15,580,861)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired (Note 16(a))	(240,677)	–	(504,214)	–
Subscription of shares in subsidiaries by the Company	–	–	(1,633,556)	(1,389,212)
Subscription of shares in subsidiaries by minority shareholders	151,084	1,325,155	–	–
Investment in associates	(2,137,706)	–	(2,137,706)	–
Dividend received	–	–	–	15,552,000
Development costs	(1,022,652)	(2,455,236)	–	–
Purchase of property, plant and equipment	(282,090)	(552,432)	–	–
Purchase of intangible assets	(309,240)	–	–	–
Proceeds from disposal of property, plant and equipment	20,105	596,374	–	–
Proceeds from disposal of marketable securities	378,059	–	–	–
Net cash used in investing activities	(3,443,117)	(1,086,139)	(4,275,476)	14,162,788
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issuance of shares	4,300,089	–	4,300,089	–
Placement of fixed deposits under lien with licensed bank	(554,669)	(703,031)	(39,185)	(1,024,544)
Repayment of bankers' acceptances	(9,186,122)	(6,549,593)	–	–
Drawdown of bankers' acceptances	13,541,614	6,363,780	–	–
Drawdown of short term loans	–	1,353,180	–	–
Repayment of short term loans	(1,360,112)	–	–	–
Dividend paid	–	(612,447)	–	(612,447)
Drawdown of hire purchase creditors	–	141,000	–	–
Repayment of hire purchase creditors	(23,237)	(15,489)	–	–
Net cash generated from/ (used in) financing activities	6,717,563	(22,600)	4,260,904	(1,636,991)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,470,872)	114,918	96,133	(3,055,064)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(10,700)	29,522	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,876,042	3,731,602	227,302	3,282,366
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 24)	(605,530)	3,876,042	323,435	227,302
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	2,874,676	4,148,718	323,435	227,302
Bank overdraft (Note 30)	(3,480,206)	(272,676)	–	–
	(605,530)	3,876,042	323,435	227,302

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

1. **CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The listing of and quotation for the entire issued and paid-up share capital of the Company was transferred to the Main Board of Bursa Malaysia Securities Berhad on 12 July 2007. 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 principal place of business is located at No.2, Jalan Astaka U8/83, Section U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.

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; supply of engineering systems and engineering equipment; and provision of online administration services for the healthcare sector.

During the financial year, the Company:

(i) acquired two new subsidiaries, namely Adprima Sdn. Bhd. and Hong Kong Broadway Electronics Company Limited, and later at year end disposed of Hong Kong Broadway Electronics Company Limited;

(ii) incorporated two new subsidiaries, namely, Securetrax Solutions Private Limited and Metronic Saudi Arabia Limited Liability Company; and

(iii) invested in two associates, namely Ariantec Sdn. Bhd. and Unilink Development Limited.

The principal activities and intended principal activities of these new subsidiaries and associates have been disclosed in Note 16 and Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed above.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2008.

2. **SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of Preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and Company have also been prepared on a historical basis.

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

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Subsidiaries and Basis of Consolidation (Cont'd)

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealised gains and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of acquisition to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit and loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(c) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statement using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gain and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Associates (Cont'd)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but it is reviewed for impairment annually or more frequently whenever there is an indication that the carrying value may be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer Software

Computer software acquired separately are measured on initial recognition at cost. Following the initial recognition, these assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Computer software is amortised at annual rate of 20% on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life.

(iii) Research and Development Costs

All research costs are recognised in the profit or loss as incurred.

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

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

Depreciation on other property, plant and equipment is provided on a straight line basis to write off the cost of each assets to its residual value over the estimated useful life at the following annual rates:

Freehold buildings	2%
Renovations	4%
Motor vehicles	20%
Furniture, fittings and equipment	20 - 33%

Leasehold building is depreciated over the estimated useful life of 50 years.

Freehold land is not depreciated.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or losses.

(f) 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 less the estimated costs necessary to make the sale.

(g) 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 using the stage of completion method. 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 classified as amount due to customers on contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of Non-Financial Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets other than engineering contract assets, inventories and deferred tax 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.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) 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. 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 as income or an expense and included in profit or loss for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(j) **Foreign Currencies**

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

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) ***Foreign Currency Transactions***

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchanges differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items is denominated either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where the monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) ***Foreign Operations***

The result and financial position of foreign operations that have a functional currency different from presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would not otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2(p)); and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance Leases - the Group as Lessee

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. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss 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(e).

(iii) Operating Leases - the Group as Lessee

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(l) Provisions

Provisions 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.

Provision for 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 three years is specified in the contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. 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. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(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. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(n) 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(g).

(ii) Maintenance and services

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

(iii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iv) Administration and consultancy services

Revenue from administration and consultancy services are recognised when services are rendered.

(v) Dividend income

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

(vi) Interest income

Interest income is recognised on an accrued basis using the effective yield on the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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) 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.

(ii) Other Non-Current Investments

Non-current investments other than investment in subsidiaries and investment properties are stated at cost less impairment losses.

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

(iii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) 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.

(v) 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.

(vi) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vii) 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.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(p) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h). Freehold buildings are depreciated at a rate of 2% per annum. Freehold land has an unlimited useful life and therefore is not depreciated.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost less any accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit and loss in the year in which they arise.

3. **CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs**

On 1 January 2007, the Group and Company adopted the following revised FRSs:

FRS 117 - Leases
FRS 124 - Related Party Disclosures

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and amendments to FRS 119_{2004}: - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures which are effective for annual periods beginning on or after 1 January 2007. They are however, not applicable to the Group or the Company's operations.

The adoption of the revised FRS 124 give rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

Standards and Interpretations Issued but not yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS		**Amendments to FRS and Interpretations Effective for financial periods beginning on or after**
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
FRS 121	The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation	1 July 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (CONT'D)

Standards and Interpretations Issued but not yet Effective (Cont'd)

FRS		**Amendments to FRS and Interpretations Effective for financial periods beginning on or after**
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The above FRSs, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application.

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical Judgments in Applying the Group's Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Engineering Contracts

The Group recognises engineering contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as recoverability of the contract costs. In making the judgment, the Group evaluates based on past experience and by relying on the work of specialists.

A 10% difference in the estimated total engineering contracts revenue or cost would result in approximately 8% variance in the Group's revenue and cost of sales.

(ii) Investment in Associated Companies

FRS 128 presumes that an investor has significant influence over its investee if it holds, directly or indirectly, 20% or more of the voting power of the investee unless it can be clearly demonstrated this is not the case.

On 8 May 2007, the Company acquired a 12.5% equity interest in Unilink Development Limited ("Unilink"). On 31 December 2007, the Company acquired additional 12.5% equity interest in Unilink, giving the Company a 25% equity interest in the company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(a) Critical Judgments in Applying the Group's Accounting Policies (Cont'd)

(ii) Investment in Associated Companies (Cont'd)

The results of Unilink were consolidated using the equity method of accounting from the date of purchase. Although the Group held less than 20% equity interest in Unilink prior to 31 December 2007, the Group exercised significant influence as two out of four directors on the Board of Directors of this associated company represented the Company since 8 May 2007. With effect from 1 October 2007, two out of six directors on the Board of Directors of this associated company represented the Company. Additionally, the Company has an existing contractual right to acquire up to 48.73% of equity interest based on a call option agreement with the existing shareholders of Unilink.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of development costs

During the current financial year, the Group carried out impairment tests in respect of its development costs included within intangible assets, based on a variety of estimations including the value-in-use of the intangible assets. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of development costs of the Group as at 31 December 2007 is RM3,233,588 (2006: RM2,855,970).

If management's estimated gross margin had been lower by 10%, the development costs would be impaired by RM82,000. If management's estimated pre-tax discount rate applied to the discounted cash-flows had been raised by 1%, the development costs would continue to be unimpaired.

(ii) Provisions for bad and doubtful debts

In arriving at an estimate for bad debts, management has considered certain outstanding receivables aged over the normal credit period given to customers.

<u>Related party debtors</u>

The outstanding debts from a related party, as disclosed in Note 21, amounted to RM52,607,537, (2006: RM52,894,585) of which RM41,149,417 is over the normal credit period given to customers. These debts are due for work completed as sub-contractors to the related party, being the main contractor, on federal public sector projects for the Government of Malaysia.

There are also balances due from a group of debtors of RM1,565,033 (2006: RM1,565,033) which relate to work performed by the Group on a number of the above-mentioned projects.

Management considered these amounts recoverable, as the Group has obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payment from the relevant authorities.

<u>Retention amounts and trade receivables</u>

In respect of certain projects where the Group has performed works as sub-contractors, management considered the retention sums and certain trade receivables amounting to RM1,637,592 that exceeded the normal project's defect liability period recoverable as the main contractors will only issue final certificates and release the retention sums after all other sub-contractors involved in the projects resolve all the construction defects. The Group has no unresolved construction defects in relation to these projects.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(iii) Deferred tax assets

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

(iv) Impairment of investment in associates

The Group determines whether the carrying amounts of investment in associates are impaired at balance sheet date. This involves measuring the recoverable amounts which requires management to make an estimate of the expected future cash flows of the associates and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The cash flow projections reflect management's expectation of revenue growth, margins and operating costs for each associate based on past experience. The growth rates of 7% to 15% have been used to forecast the projected cash flows. The rates have been determined with regards to projected growth rates for the respective markets in which the associates are operating in. Discount rate of 7% has been applied to the respective cash flow projections.

The management's assessments have provided reasonable assumptions that the carrying amounts of investment in associates at the balance sheet date are not impaired. Based on these assessments, the Directors are of the opinion that no impairment loss is required.

(v) Impairment assessment of investment in subsidiaries, outside Malaysia

The management of Company determines whether the carrying amounts of their investments in unquoted shares outside Malaysia are impaired at balance sheet date. This involves measuring the recoverable amounts which include fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flow analysis and estimates that provide reasonable approximations to the computation of recoverable amounts.

The cash flow projections reflect, amongst others, management's expectation of revenue, margins and operating costs for each subsidiary. A discount rate of 7% was applied to the respective cashflow projections. The revenue used in the projected cash flows for the respective investment in subsidiaries are based on the management's assessment of the expected performance of the subsidiaries taking into considerations the projects in hand and projects the subsidiaries are currently pursuing.

Based on the opinion of the directors, no impairment loss is required and management's assessments have provided reasonable assumptions that the carrying amounts of investment in subsidiaries as at balance sheet date are not impaired.

5. REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Contract work	43,451,295	103,674,035	–	–
Maintenance services	6,501,969	6,275,936	–	–
Sale of equipment	2,438,579	991,744	–	–
Administration and consultancy services	2,822,894	–	–	–
Dividend income	–	–	–	21,600,000
	55,214,737	110,941,715	–	21,600,000

6. COST OF SALES

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Contract costs (Note 22)	36,761,622	85,598,661	–	–
Maintenance services	1,912,890	1,764,291	–	–
Cost of equipment sold	1,304,693	286,741	–	–
Administration services	2,519,903	–	–	–
	42,499,108	87,649,693	–	–

7. OTHER INCOME

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest income	259,579	263,918	53,952	50,970
Gain on disposal of property, plant and equipment	–	335,243	–	–
Gain on disposal of quoted securities	283,059	–	–	–
Gain on disposal of subsidiary	–	–	1,160,105	–
Rental income	24,000	56,250	–	–
Miscellaneous	84,155	84,026	–	–
	650,793	739,437	1,214,057	50,970

8. FINANCE COSTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest expense on:				
Short term borrowing	85,661	30,649	–	–
Bank overdraft	113,604	76,696	–	–
Bankers' acceptances	250,819	82,756	–	–
Hire purchase	4,507	2,494	–	–
Other interest	–	–	21,989	–
Total interest expense	454,591	192,595	21,989	–

9. PROFIT BEFORE TAXATION

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
(a) After charging/(crediting):				
Staff costs (Note c)	9,221,121	7,894,951	–	–
Auditors' remuneration				
Statutory audits:				
- parent auditors	138,000	128,025	43,000	43,000
- other auditors	75,345	30,412	–	–
Depreciation of property, plant and equipment (Note 13)	604,825	636,647	–	–
Amortisation and write-off of intangible assets (Note 15)	821,947	197,939	–	–
Directors' emoluments (Note b)	954,568	853,850	108,000	108,000
Rental income	(24,000)	(56,250)		
Rental expense	177,197	82,301	12,000	12,000
Foreign exchange (gains)/losses				
- realised	(89,788)	(137,422)	(246)	–
- unrealised	(44,528)	238,748	3	–
Provision for doubtful debts	897,740	453,028	–	–
Reversal of impairment loss on quoted securities	(223,002)	(132,332)	–	–
Depreciation of investment properties (Note 14)	5,267	11,188	–	–
Impairment loss on investment properties (Note 14)	–	328,217	–	–
Provision for defect liabilities	989,186	820,796	–	–
Inventories written down	1,398,482	84,562	–	–
Interest income				
- short term deposits	(249,079)	(253,418)	(53,952)	(50,970)
- loan stocks	(10,500)	(10,500)	–	–
Gain on disposal of quoted securities	(283,059)	–	–	–
Loss/(gain) on disposal of property, plant and equipment	4,648	(335,243)	–	–
Gain on disposal of subsidiary	–	–	(1,160,105)	–
Dividend income from subsidiaries	–	–	–	(21,600,000)
Bad debts written off	148,723	–	148,723	–
Write back of provision for doubtful debts	(596,386)	(26,750)	–	–

(b) Directors' remuneration:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
(i) Executive directors' remuneration				
Fees	36,000	36,000	36,000	36,000
Defined contribution benefit (EPF)	91,621	78,030	–	–
Other emoluments	754,947	667,820	–	–
	882,568	781,850	36,000	36,000
Non-executive directors' remuneration				
Fees	72,000	72,000	72,000	72,000
Total directors' remuneration	954,568	853,850	108,000	108,000

9. PROFIT BEFORE TAXATION (CONT'D)

(b) Directors' remuneration (Cont'd):

The details of remuneration received by directors of the Company during the year are as follows:

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
(ii) Director of the Company Executive:				
Defined contribution benefit (EPF)	91,621	78,030	–	–
Other emoluments	754,947	629,570	–	–
Fees	36,000	36,000	36,000	36,000
Bonuses	–	38,250	–	–
	882,568	781,850	36,000	36,000
Non-Executive:				
Fees	72,000	72,000	72,000	72,000
Total	954,568	853,850	108,000	108,000

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

	Number of Directors	
	2007	2006
Executive directors:		
Below RM50,000	1	1
RM50,001 - RM100,000	–	–
RM100,001 - RM150,000	–	–
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	1	1
RM250,001 - RM350,000	1	1
Non-Executive directors:		
Below RM50,000	3	3

(c) Employee information

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Staff costs (excluding directors' emoluments)				
Salary, wages and bonus	7,429,927	6,390,872	–	–
Termination benefits	147,188	–	–	–
Defined contribution benefit (EPF)	833,179	680,849	–	–
Other staff related expenses	810,827	823,230	–	–
	9,221,121	7,894,951	–	–

10. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rates applicable to subsidiaries in Singapore and India were 18% and 33.66% respectively. There was no tax for these subsidiaries as they were in a tax loss position as at 31 December 2007.

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian taxation based on the results for the year:				
- Current	1,171,337	3,727,119	–	6,034,119
- Over provision in prior years	(22,352)	(165,026)	(93,998)	(31,862)
Deferred tax (Note 19)				
- relating to origination and reversal of temporary differences	(234,868)	(66,759)	–	–
- Overprovision in prior year	(114,000)	(43,000)	–	–
- Relating to changes in tax rates	54,000	79,759	–	–
	854,117	3,532,093	(93,998)	6,002,257

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	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before taxation	1,267,855	12,560,668	230,081	21,024,226
Taxation at the statutory tax rate of 27% (2006: 28%)	342,321	3,516,987	62,122	5,886,783
Effect of different tax rate in subsidiaries	68,014	(40,000)	–	–
Effect of expenses not deductible for tax purposes	1,478,446	751,058	255,093	154,736
Effects of share of profit of associates	(849,509)	–	–	–
Effect of income not subject to tax	(482,501)	(656,420)	(317,215)	(7,400)
Overprovision of tax expense in prior years	(22,352)	(165,026)	(93,998)	(31,862)
Overprovision of deferred tax in prior year	(114,000)	(43,000)	–	–
Deferred tax assets not recognised	379,698	88,735	–	–
Deferred tax recognised at different tax rates	54,000	79,759	–	–
	854,117	3,532,093	(93,998)	6,002,257

11. EARNINGS PER SHARE

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

	2007	2006
Profit attributable to ordinary equity holders of the Company	988,055	9,214,592
Weighted average number of ordinary shares in issue	596,215,828	526,574,285
Basic/diluted earnings per share (sen)	0.17	1.75

12. DIVIDENDS

	← Dividend in respect of Year →			Recognised in Year	
	2007	**2006**	**2005**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**	**RM**
Recognised during the year:					
Final dividend for 2005: 3% less 28% taxation on 283,540,000 ordinary shares (0.22 sen per ordinary share)	–	–	612,447	–	612,447

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2007.

13. 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 2007 RM
Cost							
At 1 January 2007	1,223,566	4,440,919	4,250,058	306,519	2,386,837	581,982	13,189,881
Additions	–	–	–	–	221,819	60,271	282,090
Disposals	–	–	–	(3,893)	(41,665)	–	(45,558)
Acquisition of subsidiaries (Note 16)	–	–	–	20,708	3,877	–	24,585
Exchange differences	–	–	47,585	–	2,506	564	50,655
At 31 December 2007	1,223,566	4,440,919	4,297,643	323,334	2,573,374	642,817	13,501,653
Accumulated Depreciation and Impairment							
At 1 January 2007	–	248,979	123,971	138,889	1,495,074	63,611	2,070,524
Depreciation charge for the year	–	92,065	85,611	49,576	350,140	27,433	604,825
Disposals	–	–	–	(3,115)	(17,690)	–	(20,805)
Exchange differences	–	–	26,788	–	604	53	27,445
At 31 December 2007	–	341,044	236,370	185,350	1,828,128	91,097	2,681,989
Net Book Value							
As at 31 December 2007	1,223,566	4,099,875	4,061,273	137,984	745,246	551,720	10,819,664

The freehold land and buildings with a total net book value of RM5,323,411 (2006: RM5,815,255) are charged to licensed banks for banking facilities granted to the Group (Note 30).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM116,202 (2006: RM151,577).

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2006 RM
Cost							
At 1 January 2006	1,223,566	4,440,919	4,678,352	191,281	2,029,114	576,703	13,139,935
Additions	–	–	–	169,178	373,767	9,487	552,432
Disposals	–	–	(265,113)	(53,940)	(13,381)	–	(332,434)
Exchange differences	–	–	(163,181)	–	(2,663)	(4,208)	(170,052)
At 31 December 2006	1,223,566	4,440,919	4,250,058	306,519	2,386,837	581,982	13,189,881
Accumulated Depreciation and Impairment							
At 1 January 2006	–	156,914	52,258	132,328	1,130,496	38,216	1,510,212
Depreciation charge for the year	–	92,065	87,246	60,500	371,253	25,583	636,647
Disposals	–	–	(11,354)	(53,939)	(6,010)	–	(71,303)
Exchange differences	–	–	(4,179)	–	(665)	(188)	(5,032)
At 31 December 2006	–	248,979	123,971	138,889	1,495,074	63,611	2,070,524
Net Book Value							
As at 31 December 2006	1,223,566	4,191,940	4,126,087	167,630	891,763	518,371	11,119,357

14. INVESTMENT PROPERTIES

	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Cost				
At 1 January 2007/ At 31 December 2007	245,909	179,644	362,979	788,532
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2007	95,909	39,363	253,510	388,782
Depreciation charge	–	3,000	2,267	5,267
Reclassification	–	(9,719)	9,719	–
At 31 December 2007	95,909	32,644	265,496	394,049
Net Carrying Value				
At 31 December 2007	150,000	147,000	97,483	394,483

14. INVESTMENT PROPERTIES (CONT'D)

	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Cost				
At 1 January 2006/ At 31 December 2006	245,909	179,644	362,979	788,532
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2006	–	35,770	13,607	49,377
Depreciation charge	–	3,593	7,595	11,188
Impairment losses	95,909	–	232,308	328,217
At 31 December 2006	95,909	39,363	253,510	388,782
Net Carrying Value				
At 31 December 2006	150,000	140,281	109,469	399,750

The following investment properties are held under lease terms:

	Group 2007 RM	2006 RM
Leasehold building	97,483	109,469

All investment properties are pledged as securities for borrowings (Note 30).

15. INTANGIBLE ASSETS

Group	Software RM	Development Cost RM	Goodwill RM	Total RM
Cost				
At 1 January 2006	693,426	458,179	–	1,151,605
Additions				
- internal development	–	2,455,236	–	2,455,236
At 31 December 2006 and 1 January 2007	693,426	2,913,415	–	3,606,841
Additions				
- internal development	–	1,022,652	–	1,022,652
- purchased	309,240	–	–	309,240
- acquired subsidiary	–	–	5,766	5,766
At 31 December 2007	1,002,666	3,936,067	5,766	4,944,499

15. INTANGIBLE ASSETS (CONT'D)

Group	Software RM	Development Cost RM	Goodwill RM	Total RM
Accumulated Amortisation and Impairment				
At 1 January 2006	213,671	–	–	213,671
Amortisation	140,494	57,445	–	197,939
At 31 December 2006 and 1 January 2007	354,165	57,445	–	411,610
Amortisation and write-off	171,147	645,034	5,766	821,947
At 31 December 2007	525,312	702,479	5,766	1,233,557
Net Carrying Amount				
As at 31 December 2006	339,261	2,855,970	–	3,195,231
As at 31 December 2007	477,354	3,233,588	–	3,710,942

(a) Development Costs

The development costs relate to the development of Power Line Communication Controller for Smart Home Automation System , BACnet (Building Automation and Control Networks) Controller, Energy Smart Gateway Controller and Micares e-Infrastructure System, where it is reasonably anticipated that the costs will be recovered through future commercial activity. The development costs for the Energy Smart Gateway Controller were not amortised during the financial year as the product is in the stage of development.

The recoverable amounts of these intangible assets were based on value-in-use calculations. In determining the value-in-use for the assets, the cash flow projections approved by management covered a five-year period with the following key assumptions:

	Group 2007 %	Group 2006 %
Budgeted gross margin	15.0 - 40.0	15.0
Growth rate	10.0 - 55.0	11.0 - 33.0
Discount rate	7.0	7.0

The following describes each key assumption on which management has based its cash flow projections:

(i) Budgeted gross margin

Gross margins used are predetermined profit margins for respective products.

(ii) Growth rate

The growth rates are determined based on management's estimate of market demand.

(iii) Discount rate

The discount rate used is pretax and reflects specific risks relating to the company.

16. INVESTMENT IN SUBSIDIARIES

	Company 2007 RM	Company 2006 RM
Unquoted shares, at cost		
In Malaysia,	23,021,935	22,859,435
Outside Malaysia	6,445,276	4,811,720
	29,467,211	27,671,155

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Equity Interest held 2007 %	Equity Interest held 2006 %	Principal Activities
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 engineering systems.
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*	People's Republic of China	100	100	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and telecommunication system.
Metronic Engineering Private Limited*	India	70	70	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and integrated security management system.
Metronic iCares Sdn. Bhd.	Malaysia	51	51	Third Party Administrator ("TPA") and Managed Care Organisation ("MCO") for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Country of incorporation	Equity Interest held 2007 %	2006 %	Principal Activities
Metronic Mobile Services Sdn. Bhd. (formerly known as FeelingK Malaysia Sdn. Bhd.)	Malaysia	100	100	Dormant.
Metronic R&D Sdn. Bhd. (formerly known as Trend Gate Systems Sdn. Bhd)	Malaysia	100	100	Research, development, production and marketing of building automation and security system products, modules and related parts.
Metronic Australia Private Limited	Australia	60	60	Principal activities are provision, marketing and distribution of automation and energy systems
Adprima Sdn. Bhd.	Malaysia	60	–	Consultancy services on management, engineering and information technology.
Securetrax Solutions Private Limited*	Singapore	99	–	Development, production and marketing of products relating to home land security.
Metronic Saudi Arabia Limited Liability Company	Kingdom of Saudi Arabia	90	–	Intended principal activities are design, production and sale of engineering systems for the information, communication and technology industry specialising in intelligent building management system and integrated security management system.

* Audited by firms of auditors other than Ernst & Young

(a) Acquisition of subsidiaries for the year ended 31 December 2007:

(i) On 11 July 2007, the Company acquired 120,000 ordinary shares of RM1.00 each in Adprima Sdn Bhd ("Adprima") for a total cash consideration of RM162,500, representing a 60% equity interest in Adprima.

(ii) On 8 May 2007, the Company acquired 10,000 ordinary shares of Hong Kong Dollar ("HK$") 1.00 each in Hong Kong Broadway Electronics Company Limited ("HK Broadway"), representing 100% equity interest in HK Broadway for a purchase consideration of RMB15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) satisfied by the issuance of 23,041,474 new ordinary shares of Metronc Global Berhad of RM0.10 each at RM0.30 per share. The published share price of Metronic Global Berhad at the time of issuance was RM0.43 per share.

The published price existing at the date of exchange was not used as the issue price of RM0.30 per share was mutually agreed between the Company and the vendor. The issue price of RM0.30 per share represented a premium of RM0.03 or approximately 11% over the volume weighted average market price of the Company's share of RM0.27 for the five business days preceding 29 June 2006, being the date of signing of the Heads of Agreement for the acquisition. The aggregate amount of the difference between the issue price and the published price of the Company's shares was RM2,995,392.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries for the year ended 31 December 2007: (Cont'd)

On 31 December 2007, the Company disposed of 100% equity interest in HK Broadway; in consideration, the Company acquired 125 ordinary shares of HK$1.00 each in Unilink Development Limited ("Unilink") representing 12.5% equity interest in Unilink for a consideration of RM8,414,260. Details of the disposal of HK Broadway and acquisition of Unilink are set out in Note(d) below and Note 17.

The cost of acquisition comprised of the following:

	RM
Purchase consideration satisfied by cash	162,500
Ordinary shares issued, at fair value (Note 25)	6,912,442
Costs attributable to the acquisition, paid in cash	341,714
Total cost of acquisition	7,416,656

The financial results of the subsidiaries acquired and included in the consolidated financial statements for the year ended 31 December 2007:

	2007 RM
Income statement	
Revenue	15,500
Share of profit of associates	1,091,325
Profit before taxation	1,049,922

If the acquisitions had occurred on 1 January 2007, the contribution of the subsidiaries to the Group's revenue and profit for the year would have been RM106,000 and RM1,309,253 respectively. The profit for the year includes RM1,365,092 of share of profit of associates.

The fair values of the assets and liabilities assumed at the date of acquisition approximate their carrying amounts. The assets and liabilities arising from the acquisition of subsidiaries are as follows:

	2007 RM
Property, plant and equipment (Note 13)	24,585
Investment in associates	3,542,725
Trade and other receivables	43,492
Cash and bank balances	263,537
	3,874,339
Trade and other payables	74,613
Deferred tax liabilities (Note 19)	2,428
	77,041
Fair value of net assets	3,797,298
Less: Minority interests	(104,489)
Group's share of net assets	3,692,809
Goodwill on acquisition	3,723,847
Total cost of acquisition	7,416,656

16. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(a) Acquisition of subsidiaries for the year ended 31 December 2007: (Cont'd)

The cash outflow on acquisition is as follows:

Purchase consideration satisfied by cash	162,500
Costs attributable to the acquisition, paid in cash	341,714
Total cash outflow of the Company	504,214
Cash and cash equivalents of subsidiaries acquired	(263,537)
Net cash outflow of the Group	240,677

(b) Incorporation of and additional investment in subsidiaries for the year ended 31 December 2007:

(i) On 30 April 2007, the Company subscribed to 49,500 new ordinary shares of Singapore Dollar ("S$") 1.00 each in Securetrax Solutions Pte Ltd ("Securetrax") for a total consideration of S$49,500 (equivalent to RM113,578), representing a 99% equity interest in Securetrax.

Securetrax further increased its ordinary share capital from 50,000 to 250,000 ordinary shares via issuance of additional 200,000 ordinary shares of S$1.00 each for cash during the period. The Company subscribed to 198,000 of the said ordinary shares of S$1.00 each for a cash consideration of S$198,000 (equivalent to RM441,837), thus maintaining its 99% equity interest in Securetrax.

During the period, the Company further invested an amount of S$198,000 (equivalent to RM455,209) in Securetrax. The fund was held by Securetrax as share application money as at 31 December 2007. Securetrax intended to increase its ordinary share capital from 250,000 to 450,000 ordinary shares via issuance of additional 200,000 ordinary shares of S$1.00 each subsequent to the year ended 31 December 2007. Securetrax shall allot 198,000 new ordinary shares of S$1.00 each to the Company, thus maintaining the Company's 99% equity interest in Securetrax.

(ii) On 3 December 2007, the Company incorporated a foreign subsidiary in the Kingdom of Saudi Arabia ("KSA") via a subscription of 450,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each representing 90% equity interest in Metronic Saudi Arabia LLC ("MSA") for a total cash consideration of SAR450,000 (equivalent to RM397,530).

(iii) During the financial year, the Company further invested an amount of Indian Rupee ("Rs") 2,800,000 (equivalent to RM225,402) in Metronic Engineering Private Limited ("MEPL"), an existing subsidiary of the Company incorporated in India. The fund was held by MEPL as share application money as at 31 December 2007. MEPL intended to increase its ordinary share capital from 100,000 to 500,000 ordinary shares via issuance of additional 400,000 ordinary shares at Rs10 each subsequent to the year ended 31 December 2007. MEPL shall allot 280,000 new ordinary shares of Rs10 each to the Company, thus maintaining the Company's 70% equity interest in MEPL.

(c) Acquisition and incorporation of subsidiaries for the year ended 31 December 2006:

(i) Effective on 14 April 2006, the Company holds a 51% equity interest in MiCares via an acquisition of 51 ordinary shares of RM1 each in MiCares for a cash consideration of RM51.

MiCares further increased its ordinary share capital from 100 to 2,704,100 ordinary shares via issuance of additional 2,704,000 ordinary shares at RM1 each at par for cash during the period. The Company subscribed to 1,379,000 of the said ordinary shares at RM1 each at par for a cash consideration of RM1,379,000, thus maintaining its 51% equity interest in MiCares.

(ii) On 6 July 2006, the Company acquired 100 ordinary shares of RM1 each in Metronic Mobile Services Sdn. Bhd.("MMSSB", formerly known as FEELingK Sdn. Bhd.) representing 100% of its issued and paid-up share capital for a total cash consideration of RM100.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Acquisition and incorporation of subsidiaries for the year ended 31 December 2006: (Cont'd)

During the period, MMSSB further increased its ordinary issued and paid up share capital from 100 ordinary shares to 10,000 ordinary shares by the allotment of 9,900 ordinary shares of RM1 each. The Company subscribed to all the allotted ordinary shares for a cash consideration of RM9,900, thus maintaining a 100% equity interest in MMSSB.

(iii) On 5 June 2006, the Company incorporated a foreign subsidiary in Australia via a subscription of 60 ordinary shares of Australian Dollar ("A$")1.00 each for a cash consideration of A$60, representing a 60% equity interest in Metronic Australia Pty Ltd.

(iv) On 22 December 2006, the Company acquired 2 ordinary shares of RM1 each in Metronic R&D Sdn. Bhd. (formerly known as Trend Gate Systems Sdn. Bhd.) representing 100% of its issued and paid-up share capital for a total cash consideration of RM2.

The effect these acquisitions to the financial position of the Group at the dates of acquisition were not material to the Group. Accordingly, no disclosures on financial effects were made.

(d) Disposal of subsidiary

On 31 December 2007, the Company disposed 100% equity interest in HK Broadway; in consideration, the Company acquired 125 ordinary shares of HK$1.00 each in Unilink Development Limited ("Unilink") representing 12.5% equity interest in Unilink for a consideration of RM8,414,260.

The effect of the disposal on the financial position of the Group at the date of disposal is as follows:

	Group 31.12.2007 RM	Company 31.12.2007 RM
Investment in subsidiary	–	7,254,155
Investment in associates	4,707,216	–
Other payables	(11,037)	–
Fair value of net assets	4,696,179	7,254,155
Goodwill	3,718,081	–
	8,414,260	7,254,155
Total disposal consideration	(8,414,260)	(8,414,260)
Gain on disposal	–	(1,160,105)

17. INVESTMENT IN ASSOCIATES

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Unquoted shares, at cost:				
In Malaysia	5,845,993	–	5,845,993	–
Outside Malaysia	15,668,416	–	15,668,416	–
	21,514,409	–	21,514,409	–
Share of post-acquisition reserves	2,282,528	–	–	–
Exchange differences	(110,521)			
	23,686,416	–	21,514,409	–

17. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of Company	Country of Incorporation	Equity Interest held 2007 %	Equity Interest held 2006 %	Voting Power held 2007 %	Voting Power held 2006 %	Principal Activities
Held by the Company:						
Unilink Development Limited	Hong Kong	25	–	25	–	Investment holding.
Ariantec Sdn. Bhd.	Malaysia	40	–	40	–	Value-added provider of data network infrastructure and managed security systems and solutions.

The financial statements of the above associates are coterminous with those of the Group.

Investment in associates for the year ended 31 December 2007 are as follows:

(i) On 8 May 2007, the Company acquired 125 ordinary shares of Hong Kong Dollar ("HK$") 1.00 each in Unilink Development Limited ("Unilink") representing 12.5% equity interest in Unilink for a purchase consideration of Renminbi ("RMB") 15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00: RMB2.17) satisfied by the issuance of 23,041,474 new ordinary shares of RM0.10 each at an issue price of RM0.30 per share.

On 31 December 2007, the Company acquired an additional 125 ordinary shares of HK$ 1.00 each in Unilink, representing 12.5% equity interest in Unilink; in consideration, the Company disposed of 10,000 ordinary shares of HK$1.00 each in HK Broadway representing 100% equity interest in HK Broadway for a consideration of RM8,414,260. Details of disposal of HK Broadway are set out in Note 16(d).

The results of Unilink were consolidated using the equity method of accounting from the date of purchase. Although the Group held less than 20% equity interest in Unilink prior to 31 December 2007, the Group exercised significant influence as two out of four directors on the Board of Directors of this associated company represented the Company since 8 May 2007. With effect from 1 October 2007, two out of six directors on the Board of Directors of this associated company represented the Company. Additionally, the Company has an existing contractual right to acquire up to 48.73% of equity interest based on a call option agreement with the existing shareholders of Unilink.

(ii) On 20 July 2007, the Company acquired 600,000 ordinary shares of RM1.00 each in Ariantec Sdn. Bhd. ("Ariantec") representing 40% equity interest in Ariantec for a cash consideration of RM5,400,000. The Company had also entered into a Put Option Agreement with the existing shareholders of Ariantec whereby the Company has the option to sell the 600,000 ordinary shares back to the existing shareholders for a cash consideration of RM5,400,000 in the event that the existing shareholders do not fulfill the profit guarantee that Ariantec shall achieve an audited profit after tax of RM6,750,000 for the period from 1 July 2006 to 31 December 2008.

During the period, Ariantec increased its ordinary share capital from 1,500,000 to 2,500,000 ordinary shares via issuance of additional 1,000,000 ordinary shares at RM1 each for cash. The Company subscribed to 400,000 of the said ordinary shares at RM1 each for a cash consideration of RM400,000, thus maintaining its 40% equity interest in Ariantec.

17. **INVESTMENT IN ASSOCIATES (CONT'D)**

The summarised financial information of the associates are as follows:

	2007 RM
Assets and liabilities	
Current assets	51,000,192
Non-current assets	53,083,040
Total assets	104,083,232
Current liabilities	51,881,814
Non-current liabilities	–
Total liabilities	51,881,814
Income statement	
Revenue	475,519,928
Profit for the year	13,035,865

The details of goodwill included within the Group's carrying amount of investment in associates are as follows:

	2007 RM
COST/NET CARRYING AMOUNT	
At 1 January	–
Arising from investments in associates	12,235,200
Exchange differences	(110,521)
At 31 December	12,124,679

18. **OTHER INVESTMENTS**

	Group 2007 RM	 2006 RM
Quoted securities in Malaysia:		
Quoted shares, at cost	979,165	979,165
Irredeemable convertible unsecured loan stocks, at cost	115,000	210,000
Impairment loss	(513,681)	(736,683)
	580,484	452,482
Golf club membership	94,000	94,000
	674,484	546,482
Market value of quoted securities	1,224,485	452,482

19. DEFERRED TAX

	Group 2007 RM	Group 2006 RM
At 1 January	1,371,000	1,341,000
Recognised in income statement (Note 10)	294,868	30,000
Acquisition of subsidiary (Note 16)	(2,428)	–
At 31 December	1,663,440	1,371,000

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

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2007	179,000	179,000
Recognised in income statement	(89,353)	(89,353)
Acquisition of subsidiary (Note 16)	4,259	4,259
At 31 December 2007	93,906	93,906
At 1 January 2006	210,000	210,000
Recognised in income statement	(31,000)	(31,000)
At 31 December 2006	179,000	179,000

Deferred Tax Assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2007	750,000	680,000	120,000	1,550,000
Recognised in income statement	162,000	(107,000)	150,515	205,515
Acquisition of subsidiary (Note 16)	–	–	1,831	1,831
At 31 December 2007	912,000	573,000	272,346	1,757,346
At 1 January 2006	802,000	498,000	251,000	1,551,000
Recognised in income statement	(52,000)	182,000	(131,000)	(1,000)
At 31 December 2006	750,000	680,000	120,000	1,550,000

19. DEFERRED TAX (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

	Group 2007 RM	Group 2006 RM
Unused tax losses	607,310	246,174
Unabsorbed capital allowances	26,359	7,797
	633,669	253,971

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

20. INVENTORIES

	Group 2007 RM	Group 2006 RM
At Cost		
Building automation equipment and parts	1,898,889	1,510,356
Raw materials	484,476	–
Finished goods	127,721	–
Computer servers	2,003,308	3,319,269
	4,514,394	4,829,625

21. TRADE AND OTHER RECEIVABLES

(a) Trade Receivables:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade receivables	4,802,442	3,229,627	–	–
Progress billings receivable	76,036,001	78,951,058	–	–
Due from customers on contracts (Note 22)	7,490,524	9,730,019	–	–
Advances to sub contractors	12,145	–	–	–
Retention sums on contracts (Note 22)	15,464,035	15,661,215	–	–
	103,805,147	107,571,919	–	–
Allowance for doubtful debts	(5,726,596)	(5,887,634)	–	–
	98,078,551	101,684,285	–	–

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Other Receivables:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Due from subsidiaries	–	–	20,404,822	19,904,280
Deposits and prepayment	664,652	2,919,873	82,120	1,232,825
Sundry receivables	2,455,871	1,605,494	177,529	52,993
Allowance for doubtful debts	(792,281)	(329,889)	–	–
	2,328,242	4,195,478	20,664,471	21,190,098

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 concentration of credit risk that may arise from exposures to a single debtor or groups of debtors other than:

(a) a balance due from a debtor of RM52,607,537 (2006: RM52,894,585) in which certain Directors have interest, a related party. Of this, RM41,149,417 is over the normal credit period given to customers. These debts are due for work completed as sub-contractors to the related party, being the main contractor, on federal public sector projects for the Government of Malaysia. Management considers these amounts recoverable as the Group has obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payment from the relevant authorities; and

(b) a balance due from group of debtors of RM1,565,033 (2006:RM1,565,033) which relates to work performed by the Group on a number of the above-mentioned projects, of which the entire amount is over the normal credit period given to customers.

The total exposure to the Group as a result of (a) and (b) amounted to RM54,172,570 (2006: 54,458,618).

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM876,016 (2006: RM89,739).

22. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group 2007 RM	Group 2006 RM
Contract costs incurred to date	223,353,539	209,776,930
Add: Attributable profits	40,561,236	36,098,202
	263,914,775	245,875,132
Less: Progress billings received and receivable	(258,576,909)	(241,603,698)
	5,337,866	4,271,434
Due from customers on contracts (Note 21)	7,490,524	9,730,019
Due to customers on contracts (Note 29)	(2,152,658)	(5,458,585)
	5,337,866	4,271,434

22. DUE FROM/TO CUSTOMERS ON CONTRACTS (CONT'D)

	Group 2007 RM	Group 2006 RM
Retention sums on contracts, included within trade debtors (Note 21)	15,464,035	15,661,215
Advances received on contracts, included within trade payables (Note 29)	309,249	–
Contract costs recognised as an expense (Note 6)	36,761,622	85,598,661

Included in contract costs recognised as an expense is provision for defect liabilities of RM989,186 (2006: RM820,796) during the year.

23. SHORT TERM DEPOSITS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks	7,370,557	6,815,888	1,063,729	1,024,544

All the fixed deposits with licensed banks are pledged as security for banking facilities granted to the Group as disclosed in Note 30.

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

	Interest rate		Maturity	
	2007 %	2006 %	2007 day	2006 day
Group	3.31	3.01	71	30
Company	3.70	3.70	112	110

24. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	2,874,676	4,148,718	323,435	227,302
Bank overdrafts (Note 30)	(3,480,206)	(272,676)	–	–
Total cash and cash equivalents	(605,530)	3,876,042	323,435	227,302

25. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At 1 January	500,000,000	500,000,000	50,000,000	50,000,000
Created during the year	500,000,000	–	50,000,000	–
At 31 December	1,000,000,000	500,000,000	100,000,000	50,000,000

	Number of Ordinary Shares of RM0.10 Each	← Amount →		
	Share Capital (Issued and Fully Paid)	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM
Issued and fully paid:				
At 31 December 2006/1 January 2007	283,540,000	28,354,000	6,406,222	34,760,222
Ordinary share issued during the year:				
Issued for cash	12,250,000	1,225,000	3,920,000	5,145,000
Acquisition of subsidiary	23,041,474	2,304,147	4,608,295	6,912,442
Acquisition of associate	23,041,474	2,304,147	4,608,295	6,912,442
Pursuant to bonus issue	293,033,955	29,303,396	(18,697,901)	10,605,495
Transaction costs	–	–	(844,911)	(844,911)
At 31 December 2007	634,906,903	63,490,690	–	63,490,690

(a) Ordinary shares issued for cash

During the financial year, the Company issued 12,250,000 ordinary shares of RM0.10 each through a private placement at an issue price of RM0.42 per ordinary share for cash, for additional working capital purposes. The share premium of RM3,920,000 arising from the issuance of ordinary shares has been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Ordinary shares issued for acquisition of subsidiary and associate

During the financial year, the Company issued 46,082,948 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share amounting to RM13,824,884 as the purchase consideration for the acquisition of Hong Kong Broadway Electronics Company Limited and Unilink Development Limited and. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(c) Ordinary shares issued pursuant to Bonus Issue

During the financial year, the Company issued 293,033,955 new ordinary shares of RM0.10 each by way of bonus issue on the basis of six (6) new ordinary shares for every seven (7) existing ordinary shares held. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

26. FOREIGN CURRENCY TRANSLATION RESERVE

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

27. RETAINED EARNINGS

As at 31 December 2007, the Company has tax exempt profits available for distribution of approximately RM14,767 (2006: RM26,427), subject to the agreement of the Inland Revenue Board.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

28. HIRE PURCHASE PAYABLES

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Amounts outstanding	107,037	130,274	–	–
Less: Due within twelve months (Note 29)	(23,237)	(23,237)	–	–
Due after twelve months	83,800	107,037	–	–

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

	2007		2006	
	Minimum payments RM	**Present value of liabilities RM**	**Minimum payments RM**	**Present value of liabilities RM**
Gross amounts payable				
Not later than 1 year	27,744	23,237	27,744	23,237
More than 1 year but not later than 5 years	106,331	83,800	134,075	107,037
	134,075	107,037	161,819	130,274
Less: Future finance charges	(27,038)	–	(31,545)	–
	107,037	107,037	130,274	130,274

29. TRADE AND OTHER PAYABLES

(a) Trade Payables:

	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	49,523,467	60,757,615	–	–
Advances received on contracts (Note 22)	309,249	–	–	–
Due to customer on contracts (Note 22)	2,152,658	5,458,585	–	–
	51,985,374	66,216,200	–	–

(b) Other Payables

	2007 RM	2006 RM	2007 RM	2006 RM
Other creditors and accruals	9,715,833	2,456,335	5,036,301	565,197
Provision for defect liabilities	3,506,461	2,884,567	–	–
Hire purchase creditors (Note 28)	23,237	23,237	–	–
	13,245,531	5,364,139	5,036,301	565,197

30. BANK BORROWINGS

	Group	
	2007 RM	2006 RM
Short term borrowings		
Bank overdraft (secured) (Note 24)	3,480,206	272,676
Bankers' acceptances (secured)	5,766,180	1,410,687
Revolving credit	–	1,353,180
	9,246,386	3,036,543

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed banks of RM7,370,557 (2006:RM6,815,888) of the Group. The interest rates on these borrowings range between 4.57% to 8.0% (2006: 4.1% to 8.0%) per annum.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions and outstanding balances arising from related parties during the financial year:

	2007		2006	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
Group				
Accounting fee received from Metronic Corporation Sdn. Bhd. ("MCSB") +	60,000	–	60,000	–
Rental received from MCSB +	12,000	–	12,000	–
Accounting fee received from Meditechnique Sdn. Bhd. ("Meditechnique") ^	–	–	12,000	–
Rental received from Meditechnique ^	–	–	12,000	–
Accounting fee received from ITG Worldwide (M) Sdn. Bhd. ##	24,000	–	–	–

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	2007 Transactions RM	2007 Balance Outstanding RM	2006 Transactions RM	2006 Balance Outstanding RM
Group (Cont'd)				
Purchases from ITG Worldwide (M) Sdn. Bhd. ##	1,089,255	463,206	1,504,740	414,603
Rental received from ITG Worldwide (M) Sdn. Bhd. ##	12,000	–	6,000	–
Contract fee payable to Integrated Commerce Sdn. Bhd. *	–	14,024	14,475	14,475
Contract and maintenance services receivable from MH Projects Sdn. Bhd. ("MHP") #	10,222,414	52,607,537	69,635,807	52,894,585
Maintenance fee receivable from Integrated Commerce Sdn. Bhd. *	91,316	–	20,550	20,550
Subcontractor fee payable to Ledtronics Sdn. Bhd.**	–	16,192	111,889	43,832
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	2,908,587	1,061,550	–	–
Associates:				
Contract revenue receivable from Ariantec Sdn. Bhd.	1,297,298	687,298	–	–
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd.	788,850	32,480	–	–
Company				
Subsidiaries:				
Dividend received	–	–	21,600,000	–
Office rental payable	12,000	–	12,000	–

+ a company in which the directors of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong have interest.

^ a company in which the directors of the Company, Dr Ng Tek Che and Liew Chiap Hong have 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, Edmund Chuah Choong Eng Huat 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, Datuk Subhi Bin Dziyauddin is also a director.

The directors of the Company 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.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel

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

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Short-term employee benefits	1,089,269	926,397	–	–
Post-employment benefits:				
Defined contribution plan	107,593	92,330	–	–
	1,196,862	1,018,727	–	–
Included in the total key management personnel are:				
Directors' remuneration (Note 9 (b))	954,568	853,850	–	–

32. CAPITAL COMMITMENTS

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Approved but not contracted for:				
- Research and development expenditure	–	367,915	–	–
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	13,715,814	741,825	13,715,814	–

33. CONTINGENT LIABILITIES

	Company	
	2007 RM	**2006 RM**
(a) Unsecured:		
Corporate guarantee given to a licensed bank for credit facilities granted to subsidiaries	51,328,125	19,883,125
Standby Documentary Credit given to a licensed bank for credit facilities granted to a foreign subsidiary	1,821,875	–
	53,150,000	19,883,125

(b) Lee Bee Leng & two (2) others vs (1) Metronic Engineering Sdn Bhd ("MESB") and (2) University Teknologi Petronas ("UTP").

On 15 November 2005, MESB, being the first (1st) defendant was served with a Writ of Summons by Lee Bee Leng & two (2) others ("Plaintiffs") claiming for among others general damages and special damages due to the death of the 1st Plaintiff's husband and 2nd & 3rd Plaintiff's father. The maximum exposure to liabilities of MESB and UTP is therefore estimated at RM903,550. A Statement of Defence had been filed with the High Court of Malaysia in Ipoh. The suit is still at the ongoing case management stage at the High Court of Malaysia in Ipoh.

In the opinion of MESB's solicitors, MESB should have a good arguable case to go to court.

33. CONTINGENT LIABILITIES (CONT'D)

(c) Cworks Systems Berhad ("Cworks") vs Metronic Global Berhad ("Company")

On 9 January 2007, the Company through its solicitors, received a Writ of Summons and Statement of Claim issued by CWorks claiming an outstanding amount of RM1,751,617.27 from the Company pursuant to a Software Development Agreement dated 9 May 2005 ("the Agreement") for the development and provision of a software. The maximum exposure to MGB is estimated at RM1,751,617.

The High Court of Shah Alam has allowed the Company's application that the Suit to be adjourned indefinitely 'sine die' and the claim by CWorks to be proceeded by way of arbitration. CWorks has yet to refer the suit to arbitration but has appealed against the Court's Order.

The Company's solicitors are of the opinion that CWorks' claims are premature in nature and in breach of its own actual obligations and that the prospect of defending the suit is good.

The Directors of the Company are of the opinion that the claims referred to above in (b) and (c) are not probable and therefore no provision has been made as at 31 December 2007.

34. OTHER SIGNIFICANT EVENT

On 12 July 2007, the Company's entire issued and paid-up share capital of RM63,490,690 comprising 634,906,903 ordinary shares of RM0.10 each were transferred from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad under the "Technology" sector on a "Ready" basis pursuant to the Rules of Bursa Securities.

35. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

(a) On 30 January 2008, MGB announced that the Company had on even date entered into a Shares Sale Agreement ("Agreement") with Goldis Berhad ("Goldis") for the acquisition of the following shares ("Proposed Acquisition"):

- 750,000 ordinary shares of RM1.00 each in IPanel Malaysia Sdn Bhd ("IPM") representing 75% equity interest in IPM for a cash consideration of Ringgit Malaysia ("RM") 1,055,103;

- 136,500 ordinary shares of S$1.00 each in IPanel Pte Ltd ("IPS") representing 30% equity interest in IPS for a cash consideration of RM10,197; and

- 60,000 preference shares of S$1.00 each in IPS for a cash consideration of RM134,700 from Goldis.

The total cash consideration for the Proposed Acquisition amounted to RM1,200,000.

The principal activity of IPM is research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system. The principal activity of IPS is sale of electronic products and intelligent facilities management system. IPS is the registered and beneficial owner of 250,000 ordinary shares of RM1.00 each or 25% in IPM.

The Proposed Acquisition was approved by the Foreign Investment Committee on 18 April 2008. The finalisation of the Proposed Acquisition is pending transfer of shares.

(b) Subsequent to the balance sheet date, the Company's subsidiary, Securetrax increased its ordinary share capital from 250,000 to 375,000 ordinary shares via issuance of additional 125,000 ordinary shares of S$1.00 each for cash. The Company subscribed to 123,750 of the said ordinary shares of S$1.00 each for a cash consideration of S$123,750, thus maintaining its 99% equity interest in Securetrax.

36. 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 (both fair value and cash flow), foreign currency risk, liquidity and credit risks. It is, and has been throughout the year under review, the Group's policy not to engage in speculative transactions.

(b) Interest Rate Risk

Cash flow interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no substantial long term interest-bearing assets as at 31 December 2007, 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's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. 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.

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 the functional currency of the operations to which they relate. 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 currencies giving rise to this risk are primarily United States Dollar, Great Britain Pound, Euro and Singapore Dollar.

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	United State Dollar RM	Great Britain Pound RM	Euro RM	Singapore Dollar RM	Total RM
Trade payables					
At 31 December 2007	945,936	26,085	134,594	43,517	1,150,132
At 31 December 2006	524,945	88,817	–	21,219	634,981

36. FINANCIAL INSTRUMENTS (CONT'D)

(d) Foreign Currency Risk (Cont'd)

	United Dollar RM	State Rupee RM	India Riyal RM	Saudi Dong RM	Vietnam Total RM
Trade receivables					
At 31 December 2007	4,392,901	281,842	526,675	–	5,201,418
At 31 December 2006	–	–	–	4,116,745	4,116,745

(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 group of debtors of RM54,172,570 (2006: RM54,459,618) as disclosed in Note 21.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the company at the balance sheet date approximated their fair values except for the following:

	Company	
	Carrying Value RM	Fair Value RM
At 31 December 2006:		
Financial Assets		
Amount due from subsidiaries	20,404,822	#

It is not practical to estimate the fair values of amount due from subsidiaries 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.

37. SEGMENTAL REPORTING

(a) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses. Transfer pricing between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses, and results include transfers between business segments. These transfers are eliminated on consolidation.

(b) Geographical segments

The primary segment reporting format is determined to be geographical as the Group's risks and rates of return are affected predominantly by the location of where revenue is generated. The Group's geographical segments are divided into two categories.

(i) Malaysia

The operations in this area are system integration specialising in the field of intelligent building management system and integrated security management system, e-project management of mechanical and electrical services, supply of engineering systems and equipment, and provision of online administration services for the healthcare sector.

(ii) Overseas

The Group has operations in Vietnam, India, Singapore and the People's Republic of China. The operations in these areas are system integration specialising in the field of intelligent building management system and integrated security management system and supply of engineering systems and equipment.

(c) Business segments

The Group comprises two main business segments:

(i) Engineering - system integration specialising in the field of intelligent building management system and integrated security management system, e-project management of mechanical and electrical services, supply of engineering systems and equipment.

(ii) ICT support services - provision of online administration services for the healthcare sector.

37. SEGMENTAL REPORTING

Geographical segments

The following table provides an analysis of the Group's revenue, results, assets and liabilities by geographical segment.

	Malaysia RM	Overseas RM	Elimination RM	Total RM
31 December 2007				
Revenue				
Sales to external customers	45,228,920	10,076,317	(90,500)	55,214,737
Inter-segment sales	113,314	444,084	(557,398)	–
Total Revenue	45,342,234	10,520,401	(647,898)	55,214,737
Results				
Segment result	1,229,431	(2,653,317)		(1,423,886)
Share of profit of associates	1,032,813	2,113,519		3,146,332
Finance cost				(454,591)
Profit before tax				1,267,855
Income tax expense				(854,117)
Net profit for the year				413,738
Assets				
Segment assets	141,730,096	18,022,523	(27,323,186)	132,429,433
Investment in associates	6,878,807	16,807,609	–	23,686,416
				156,115,849
Liabilities				
Segment liabilities	92,318,578	9,572,535	(27,323,186)	74,567,927
Other segment information				
Capital expenditure	540,939	74,977	–	615,916
Depreciation	480,415	129,677	–	610,092
Amortisation	816,181	–	–	816,181
Other significant non-cash expenses				
Provision for doubtful debts	641,712	256,028	–	897,740
Provision for defect liabilities	586,642	402,544	–	989,186
Inventories written off	70,814	1,327,618	–	1,398,432

37. SEGMENTAL REPORTING

Geographical segments (Cont'd)

31 December 2006	Malaysia RM	Overseas RM	Elimination RM	Total RM
Revenue				
Sales to external customers	100,569,621	10,372,094	–	110,941,715
Inter-segment sales	1,252	16,081	(17,333)	–
Total Revenue	100,570,873	10,388,175	(17,333)	110,941,715
Results				
Segment result	11,812,016	941,247	–	12,753,263
Finance cost				(192,595)
Profit before tax				12,560,668
Income tax expense				(3,532,093)
Net profit for the year				9,028,575
Assets				
Segment assets	132,945,743	9,379,714	(4,019,643)	138,305,814
Liabilities				
Segment liabilities	73,562,721	6,204,841	(4,019,643)	75,747,919
Other segment information				
Capital expenditure	2,953,567	54,101	–	3,007,668
Depreciation	538,134	109,701	–	647,835
Amortisation	197,939	–	–	197,939
Other significant non-cash expenses				
Provision for doubtful debts	453,028	–	–	453,028
Provision for defect liabilities	564,302	256,494	–	820,796

37. SEGMENTAL REPORTING (CONT'D)

Business segment

The following table provides an analysis of the Group's revenue, assets and capital expenditure by business segment.

	Revenue	
	2007	**2006**
	RM	**RM**
Engineering	52,426,157	110,941,715
ICT support services	2,788,580	–
	55,214,737	110,941,715

	Assets	
	2007	**2006**
	RM	**RM**
Engineering	152,889,317	135,869,403
ICT support services	3,226,532	2,436,411
	156,115,849	138,305,814

	Capital Expenditure	
	2007	**2006**
	RM	**RM**
Engineering	289,714	1,051,249
ICT support services	326,202	1,956,419
	615,916	3,007,668

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 31.12.2007 RM'000	Last date of 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-cum factory detached office	23,838	25,112	17 November 2000	7 years / Freehold	2,877	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	7 years / Freehold	2,446	12 April 2004
Lot 1888, College Heights Garden Resort Nilai, Seremban	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	150	21 February 2008
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	7 years / Leasehold for 99 years expiring on 4 December 2095	97	18 February 2008
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	11 years / Freehold	147	28 February 2007
Metronic Microsystem (Beijing) Company Limited, China No 18, Level 8, Top Fine International Centre, Dong San Huan Middle Road, Chao Yang District, Beijing, China.	Office	N/A	7,540 (700.53 square metres)	28 November 2003	6 years / Leasehold for 50 years expiring on 5 February 2052	4,061	15 March 2005

Authorised Share Capital : RM100,000,000 comprising 1,000,000,000 Ordinary Shares of RM0.10 each
Issued and Paid-up Share Capital : RM63,490,690 comprising 634,906,903 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	252	5.660	12,712	0.002
100 - 1,000	67	1.504	34,434	0.005
1,001 -10,000	1,275	28.638	9,085,216	1.430
10,001 - 100,000	2,337	52.493	85,254,828	13.427
100,001 – 31,745,344(*)	516	11.590	218,748,243	34.453
31,745,345 AND ABOVE (**)	5	0.112	321,771,470	50.680
Total	**4,452**	**100.00**	**634,906,903**	**100.00**

Note:
* - *less than 5% of issued shares*
** - *5% and above of issued shares*

(II) 30 LARGEST SHAREHOLDERS

No.	Name	No. of Share Held	%
1	ABD.GANI BIN YUSOF	166,767,324	26.266
2	CIMSEC NOMINEES (ASING) SDN BHD *CIMB FOR ZONEMAX HOLDINGS LIMITED (PB)*	41,891,308	6.598
3	NG TEK CHE	40,699,633	6.410
4	CIMSEC NOMINEES (ASING) SDN BHD *CIMB FOR NEWTRON COMPANY LIMITED (PB)*	36,391,308	5.731
5	LIEW CHIAP HONG	36,021,897	5.673
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR NG TEK CHE (SFD)*	18,000,000	2.835
7	LIEW CHIAP HONG	11,392,020	1.794
8	KOPERASI HARTA JOHOR BERHAD	7,847,014	1.235
9	PHILIP A/L K.O KUNJAPPY	5,800,285	0.913
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR SUPER LEAP SDN BHD (PB)*	4,671,614	0.735
11	PROMOSI UNGGUL SDN BHD	4,414,800	0.695
12	KAMARUZZAMAN BIN SHARIFF	3,714,285	0.585
13	MD WIRA DANI BIN ABDUL DAIM	3,714,285	0.585
14	GENTING PERWIRA SDN BHD	3,164,285	0.498
15	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ONG YEW BENG (REM 188)*	3,161,700	0.497
16	CIMSEC NOMINEES (ASING) SDN BHD *CIMB FOR DELAWARE HEIGHTS CORPORATION (PB)*	2,490,071	0.392
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEONG YEK ING (KLC/HLG)*	2,000,000	0.315
18	KOK MING-NEE	1,924,000	0.303
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *CB SPORE GW FOR WONG YENG MUN*	1,859,000	0.292
20	TAN CHING CHEO	1,857,142	0.292
21	PEE KEE CHIAW	1,567,414	0.246
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GILBERT WONG U-BING*	1,485,900	0.234

No.	Name	No. of Share Held	%
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ANNABELLE WONG SU CHING (E-KPG)*	1,485,900	0.234
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ERIC WONG U-JIN (E-KPG)*	1,485,900	0.234
25	GAN YEN LING	1,425,600	0.224
26	GAN WEE PENG	1,380,085	0.217
27	TAN MENG SENG	1,312,142	0.206
28	YEOH ENG HUA	1,300,000	0.204
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR GUAN SWEE LEONG (PB)*	1,287,000	0.202
30	IDA SUZAINI BINTI ABDULLAH	1,262,857	0.198

Summary
Total no of holders : 30
Total Holdings : 411,774,769
Total Percentage(%) : 64.855

(III) SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	Note	%
Dato' Abd Gani bin Yusof	166,767,324	26.27	1,034	1	#
Dr Ng Tek Che	59,189,175	9.32	1,034	1	#
Liew Chiap Hong	47,903,459	7.55	1,034	1	#
Gu Ying	–	–	36,391,308	2	5.73
Newtron Company Limited (BVI)	36,391,308	5.73	–	–	–
ZonemaxHoldings Limited (BVI)	41,891,308	6.60	–	–	–

\# *Negligible*

Note
1. *Deemed interested by virtue of their interest in Metronic Corporation Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.*
2. *Deemed interest by virtue of Section 6A(4) of the Act (shareholding held through Newtron Company Limited (BVI))*

(IV) DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	Note	%
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	0.59	–	–	–
Dato' Abd Gani bin Yusof	166,767,324	26.27	1,034	1	#
Dr Ng Tek Che	59,189,175	9.32	1,034	1	#
Liew Chiap Hong	47,903,459	7.55	1,034	1	#
Lee Fok Chong	–	–	–	–	–
Datuk Subhi bin Hj Dziyauddin	–	–	–	–	–
Amirudin bin Mohd Baria	–	–	–	–	–
Li Ji Chang	–	–	–	–	–
Edmund Chuah Choong Eng Huat	185,714	0.03	558,999	2	0.09
Gu Ying	–	–	36,391,308	3	5.73

\# *Negligible*

Note
1. *Deemed interested by virtue of their interest in Metronic Corporation Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.*
2. *Deemed interest by virtue of Section 6A(4) of the Act (shareholding held through his spouse)*
3. *Deemed interest by virtue of Section 6A(4) of the Act (shareholding held through Newtron Company Limited (BVI))*

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

i) Mr Edmund Chuah Choong Eng Huat

ii) Mr Gu Ying

iii) Mr Li Ji Chang

iv) Encik Amirudin bin Mohd Baria

Further details of profile of Directors are set out in pages 11 and 15 of the Annual Report while their securities holdings are set out in page 92 of the Annual Report.

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

A total of five Board meetings were held during the financial year ended 31 December 2007. Details of attendance by 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	5/5
Lee Fok Chong	5/5
Datuk Subhi bin Hj Dziyauddin	2/5
Amirudin bin Mohd Baria	4/5
Li Ji Chang	0/5
Edmund Chuah Choong Eng Huat	1/5
Gu Ying	1/5

3. DATE, TIME AND PLACE OF MEETING:-

Type of meeting	:	Fifth Annual General Meeting
Date	:	Monday 23 June 2008
Time	:	9.00 am
Place	:	Room Mauna Lani A, Holiday Inn Glenmarie Kuala Lumpur, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan, Malaysia

NOTICE IS HEREBY GIVEN THAT the Fifth (5th) Annual General Meeting of Metronic Global Berhad will be held at Room Mauna Lani A, Holiday Inn Glenmarie Kuala Lumpur, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday 23 June 2008 at 9.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. ***Ordinary Resolution 1***

2. To re-elect the following Directors retiring in accordance with Article 79 of the Company's Articles of Association and who being eligible have offered themselves for re-election:

   i) Mr Edmund Chuah Choong Eng Huat ***Ordinary Resolution 2***

   ii) Mr Gu Ying ***Ordinary Resolution 3***

3. To re-elect the following Directors retiring in accordance with Articles 86 of the Company's Articles of Association and who being eligible have offered themselves for re-election:

   i) Mr Li Ji Chang ***Ordinary Resolution 4***

   ii) Encik Amirudin bin Mohd Baria ***Ordinary Resolution 5***

4. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2007. ***Ordinary Resolution 6***

5. To re-appoint Messrs Ernst & Young as Auditors for the ensuing year and to authorize the Directors to fix their remuneration. ***Ordinary Resolution 7***

As Special Business:-

To consider and, if thought, to pass the following 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 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 earliest." ***Ordinary Resolution 8***

7. **"Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "THAT the mandate granted by the shareholders of the Company on 27 June 2007 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") authorising the Company and its subsidiaries ("MGB Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 30 May 2008 ("the Circular") with the related parties mentioned therein, which are necessary for the MGB Group's day-to-day operations, be and is hereby renewed, provided that:-

(i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and in the annual reports for subsequent financial years during which the shareholders' mandate is in force based on the type of the recurrent transactions, the names of the related parties involved in each type of the recurrent transaction and their relationship with the Company;

AND THAT the authority conferred by such mandate shall continue to be in force until -

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless authority is renewed by a resolution passed at the next Annual General Meeting.

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965), or

(iii) revoked or varied by resolution passed by shareholders of the company in general meeting.

whichever is earlier;

AND THAT, authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the proposed shareholders' mandate.

AND THAT, the estimates given on the recurrent related party transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.4 of the Circular". ***Ordinary Resolution 9***

8. **ANY OTHER BUSINESS**

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

By Order of the Board,

AZLAN MOHD ARIFF (LS 0008402)
Company Secretary

Selangor Darul Ehsan
30 May 2008

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. *A member who is an authorized nominee as defined under Securities Industry (Central Depositories) Act 1991, is allowed to appoint at least one (1) proxy in respect of each securities accounts it holds with ordinary shares of the company standing to the credit of the said securities accounts.*
4. *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.*
5. *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.*
6. *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.*

1. ***EXPLANATORY NOTES ON SPECIAL BUSINESS***

   Ordinary Resolution 8

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

   The proposed Resolution 8, 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. **Ordinary Resolution 9**

   Resolution pertaining to the Shareholders' Mandate for the Recurrent Related Party Transactions

   The proposed Resolution 9, 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 30 May 2008, despatched 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) whichever is earlier, unless earlier revoked or varied by a resolution in a general meeting.

METRONIC GLOBAL BERHAD
(Company No.: 632068-V)

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 Fifth (5th) Annual General Meeting of Metronic Global Berhad to be held at Room Mauna Lani A, Holiday Inn Glenmarie Kuala Lumpur, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday 23 June 2008 at 9.00 a.m and/or at any adjournment thereof.

No.	Ordinary Resolution	For	Against
1	To receive the Audited Financial Statements and Reports for the year ended 31 December 2007		
2	Re-election of Mr Edmund Chuah Choong Eng Huat as Director		
3	Re-election of Mr Gu Ying as Director		
4	Re-election of Mr Li Ji Chang as Director		
5	Re-election of Encik Amirudin bin Mohd Baria as Director		
6	To approve the payment of Directors' Fees		
7	Re-appointment of Auditors		
8	Grant of Authority Pursuant to Section 132D of the Companies Act, 1965.		
9	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		

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

NO. 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

Then fold here

AFFIX
STAMP

METRONIC GLOBAL BERHAD
(Company No.: 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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