METRONIC

Metronic Global Berhad

(632068-V)

annual report 2008

Contents

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

Lim Tzeh Foong
Independent Non-Executive Director

Datuk Subhi bin Hj Dziyauddin
Independent Non-Executive Director

Amirudin bin Mohd Baria
Independent Non-Executive Director

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

Audit Committee

Lim Tzeh Foong
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Amirudin bin Mohd Baria
Member

Remuneration Committee

Lim Tzeh Foong
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Amirudin bin Mohd Baria
Member

Liew Chiap Hong
Member

Nomination Committee

Datuk Subhi bin Hj Dziyauddin
Chairman

Lim Tzeh Foong
Member

Dr Ng Tek Che
Member

Company Secretaries

Azlan Mohd Ariff
(LS 0008402)

Sheila Winston Payne
(LS 0009002)

Registered Office

No 4, 2nd Floor, Jalan 3/27F
Desa Setapak, Wangsa Maju
53300 Kuala Lumpur
Tel : 03 - 4149 6135
Fax: 03 - 4149 6455

Registrar

PFA Registration Services Sdn Bhd (19234-W)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03 - 2264 3883
Fax: 03 - 2282 1886

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)
Malaysia Debt Ventures Berhad (578113-A)

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 ("Bursa Securities") on 24 May 2004 and subsequently transferred to the Main Board of Bursa Securities on 12 July 2007. MGB is an investment holding company. As at the date of this report, MGB Group comprises fourteen (14) subsidiaries, two (2) associated companies and one (1) jointly controlled entity.

MGB Group specialises in the system integration of intelligent building management system ("IBMS") and integrated security management system ("ISMS"), e-project management ("e-PM") of mechanical and electrical services and provision of online administration services for the healthcare sector. 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-PM of mechanical and electrical services and supply of engineering systems. MESB carries 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, Metronic Integrated System Sdn Bhd ("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 engineering system and equipment. 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 Research & Development ("R&D") to realise its vision as an Intelligent City Management System ("ICMS") provider.

Metronic iCares Sdn Bhd ("MICSB") was incorporated in March 2006 as a 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.

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 to mobile internet service.

Metronic R&D Sdn Bhd ("MRDSB") (formerly known as Trend Gate Systems Sdn Bhd) was incorporated in December 2006 to be the R&D 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's equity interest in Ariantec reduced from 40% to 25.27% as a result of a special issue of shares to the key management of Ariantec in February 2009.

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

In September 2008, the Company entered into a joint venture cum shareholder agreement with Jiang Xiaoli, a citizen of People's Republic of China ("PRC") to form Ideal Ultimate Sdn Bhd ("IUSB") to co-operate and collaborate on the development and commercialisation of the Optical Fibre Perimeter Security System.

In January 2009, the Company acquired 75% equity interest in IPanel Malaysia Sdn Bhd ("IPM") and 30% equity interest in IPanel Pte Ltd, Singapore ("IPS"). IPM and IPS carry out 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, Vietnam, 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 with the intention 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 Dubai for the purpose of carrying out the business of IBMS, ISMS, e-PM 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 ("Unilink"), 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 electronic 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 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 for 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 December 2007 with the intention to provide IBMS and ISMS services and solutions in the Kingdom of Saudi Arabia.

In September 2008, the Company set up a wholly-owned subsidiary in Vietnam, Metronic Vietnam Company Limited ("MVCL") to expand and penetrate into Vietnam market.

(iii) Venture Into Water Concession Business

In year 2009, the Company set another milestone by venturing into water treatment plant business in the PRC. In February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with Lai'An County Water Utility Board, Anhui Province in the PRC for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province via a wholly owned foreign subsidiary known as Anhui Lai'An Metronic Water Supply Company Limited. The investment in the water concession business represents a significant step for the Group as it enables the Group to tap into the potential growth and lucrative recurrent revenue offered by the Chinese market in line with China's urbanisation and awareness in environmental protection and need for safe-drinking water for rural, commercial and industrial development.

PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

Presently, 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.

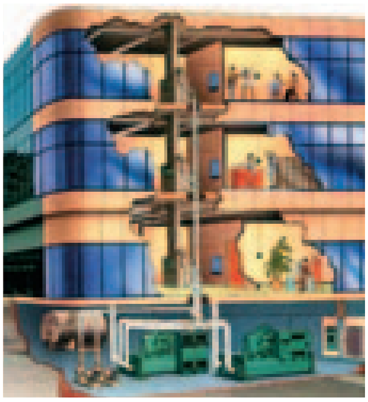
The Group is presently a key player in the IBMS and ISMS industry in Malaysia and with its expertise in system integration and knowledge of advanced technology, the Group aims to move beyond the field of intelligent building into a higher level of intelligent city. The Group has made bold steps in adopting 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) 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



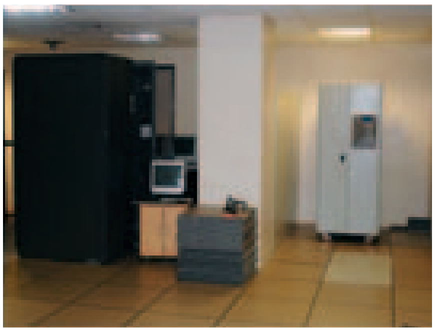
(ii) ISMS Division

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-PM Division

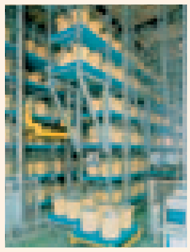
The Group is involved in the provision of engineering services specialising in the field of Mechanical & Electrical ("M&E") and medical equipment for the healthcare industry.

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 M&E works of aircraft hangars.



(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 division 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 acts as a TPA and 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 that provides 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 runs on an Application Service Provider concept whereby transaction fees/headcount fees will be levied accordingly. The entire end-to-end system is 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 analyses the content of email messages and weeds 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

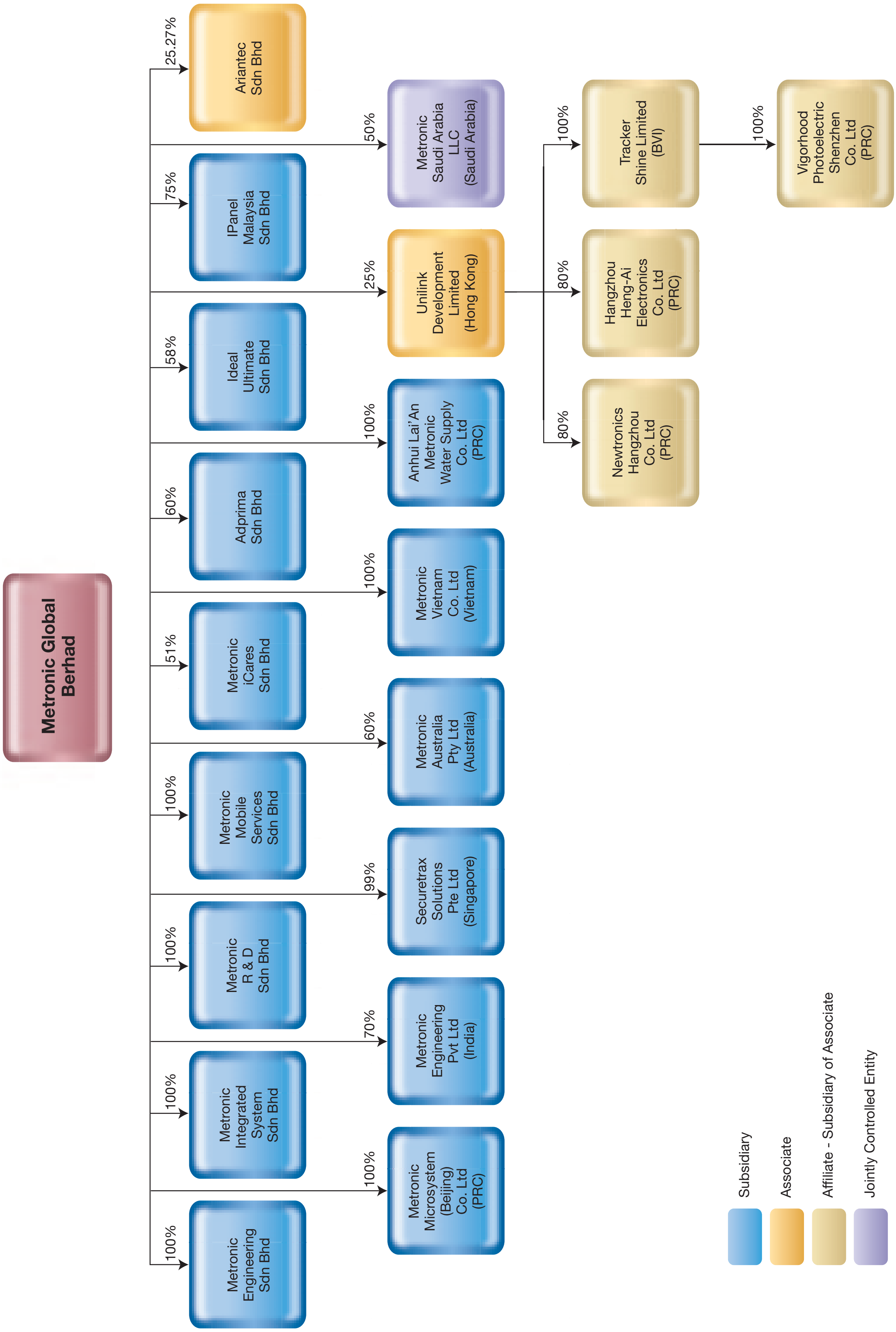
Through the investment in Unilink, the Group is able to penetrate the fast-growing telecommunications industry in China and to diversify into manufacturing activities in addition to its current contract-based projects.

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.

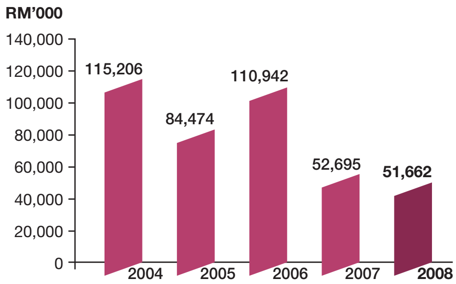
corporate
structure
as at 30 April 2009



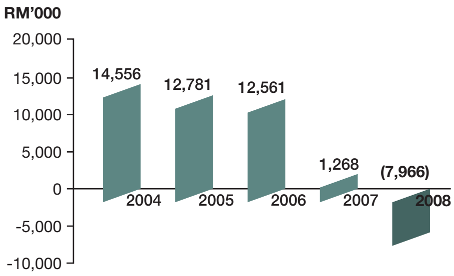
Five-year financial highlights

	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000 (Restated)	2008 RM'000
Revenue	115,206	84,474	110,942	52,695	51,662
Profit/(loss) before tax	14,556	12,781	12,561	1,268	(7,966)
Profit/(loss) for the year	10,697	9,223	9,029	414	(7,310)
Profit/(loss) attributable to equity holders of the Company	10,697	9,249	9,215	988	(7,260)
Shareholders' funds	44,844	52,952	61,419	80,728	75,203
Net earnings per share (sen)	5.07	3.26	3.25	0.17	(1.14)
Net assets per share attributable to equity holders of the Company (sen)	15.82	18.68	21.66	12.71	11.84

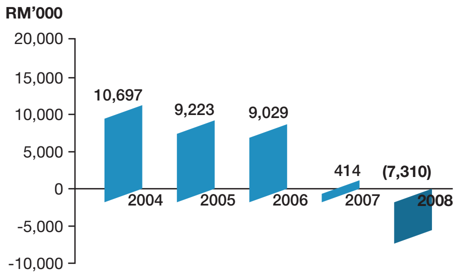
REVENUE



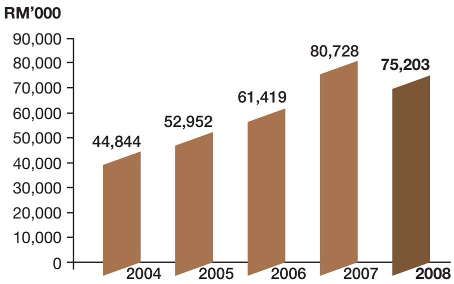
PROFIT/(LOSS) BEFORE TAX



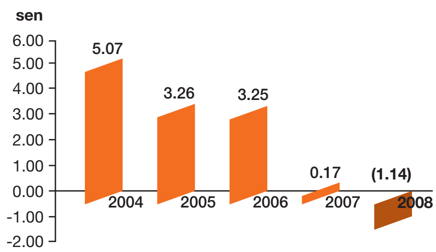
PROFIT/(LOSS) FOR THE YEAR



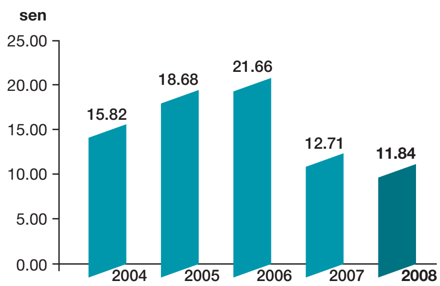
SHAREHOLDERS' FUNDS



NET EARNING PER SHARE



NET ASSETS PER SHARE



profile of directors

Tan Sri Dato' Kamaruzzaman bin Shariff
Executive Chairman

Tan Sri Dato' Kamaruzzaman bin Shariff, a Malaysian, aged 67, was appointed as Executive Chairman of Metronic Global Bhd ("MGB" or "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 Government 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 32 to the Financial Statements. He has no conviction of any offences in the past 10 years. He is a shareholder of the Company.

Dato' Abd. Gani bin Yusof
Executive Vice-Chairman

Dato' Abd. Gani bin Yusof, a Malaysian, aged 54, 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 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 32 to the Financial Statements. He has no conviction of any offences in the past 10 years. He is a major shareholder of the Company.

Dr Ng Tek Che
Group Managing Director

Dr Ng Tek Che, a Malaysian, age 53, 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 a 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 32 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a major shareholder of the Company.

Liew Chiap Hong
Executive Director

Mr Liew Chiap Hong, a Malaysian, aged 53, was appointed as the Executive Director of the Company on 22 March 2004. He is also a member 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 32 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a major shareholder of the Company.

Lim Tzeh Foong
Independent Non-Executive Director

Mr Lim Tzeh Foong, a Malaysian, aged 38, was appointed as Independent Non-Executive Director of the Company on 1 August 2008. He is also the Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee. He is a Fellow member of Association of Chartered Certified Accountants of United Kingdom, a Chartered Accountant of the Malaysian Institute of Accountants and an Associate member of the Malaysian Institute of Taxation. He started his career in Ernst & Young in 1993 and left as audit manager in January 2003. During his tenure of service in Ernst & Young, he was seconded to Ernst & Young Canada from September 1998 to March 2000. As an auditor of Ernst & Young, he gained experience in audit of private and public companies and subsidiaries of multinational companies in various industries and businesses. He set up his own professional accounting practice in January 2004 and has been practicing since then.

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 32 to the Financial Statements. He had no conviction 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

Datuk Subhi bin Hj Dziyauddin, a Malaysian, aged 46, was appointed as the Independent Non-Executive Director of the Company on 22 March 2004. He is also the Chairman of Nomination Committee and a member of Audit and Remuneration Committees. 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 Bursa Malaysia Securities Berhad 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 32 to the Financial Statements. He had no conviction 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

Encik Amirudin bin Mohd Baria, a Malaysian, aged 51, was appointed as the Independent Non-Executive Director of the Company on 6 August 2004. He is also a member of Audit and Remuneration Committees. 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 a 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 32 to the Financial Statements. He had no conviction of any offences in the past 10 years. He does not hold any shares in the Company.

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

Mr Edmund Chuah Choong Eng Huat, a Malaysian, aged 47, 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 Scholarship 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 32 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a shareholder of the Company.

Dear Shareholders,

On behalf of the Board of Directors of Metronic Global Berhad ("MGB" or "the Company"), it is my pleasure to present to you the Annual Report and Audited Financial Statements for the financial year ended 31 December 2008.

chairman's statement

INDUSTRY AND OPERATING ENVIRONMENT OVERVIEW

It is undeniable that 2008 was a tumultuous year where we witnessed significant changes in the economic and political landscape, both domestically and globally. Businesses took on a cautious outlook on spending in view of the volatile energy prices and the unraveling of the subprime mortgage crisis in the United States. Worldwide inflationary rate has hit historical high and affected consumer spending power. Many of the world's largest economies are now officially in a technical recession. To limit the decline in global economic activity, interest rates had been reduced sharply by major global central banks and massive stimulus packages had been introduced since second half of 2008.

Malaysian economy has not been spared from the chained effects of the slowdown in the global economy. The Malaysian economy slowed down in the fourth quarter to 0.1% after a growth of 4.7% in the third quarter of 2008. Growth was affected by the sharply weaker external demand, that has resulted in decline in net real exports of goods and services by 40.1% (3Q 08: -14.8%). Nevertheless, domestic demand continued to provide support to growth, driven mainly by private consumption and public spending. For the year as a whole, the Malaysian economy moderated to 4.6% compared with 6.3% in 2007 (Source: Department of Statistics, Malaysia).

The Malaysia construction sector registered a contraction of 1.6% in fourth quarter 2008, thus reversing the 1.2% growth recorded in the previous quarter attributed to the contraction of 3.5% in the Civil Engineering sub-sector. Nevertheless, the Residential and Non-Residential sub-sectors posted small growths of 0.7% and 0.4% respectively. For the whole year, the construction sector recorded a 2.1% growth compared with a 4.6% expansion in 2007 (Source: Department of Statistics, Malaysia).

In a nutshell, year 2008 was extremely challenging. The increased Ninth Malaysian Plan spending and speedier implementation of various growth corridor development projects and the RM7 billion fiscal stimulus package are expected to augment the domestic demand and revive market activities. However, the real impact from the bulk of the measures will not come immediately as the roll out of the large scale infrastructure projects are anticipated to expand at slower pace.

FINANCIAL REVIEW

The challenging operating environment of the construction sectors had affected the Group's financial performance during the year. The Group registered an after-tax loss of RM7.31 million for the financial year ended ("FYE") 31 December 2008, our first ever net loss position since we were listed in 2004.

For FYE 2008, the MGB Group's revenue dropped by 2% to RM51.66 million from RM52.69 million last year, due to the lower volume of engineering works completed during the year. The decrease was marginal as it was mitigated by the increase in revenue from ICT support services.

The Group posted a pre-tax loss of RM7.97 million as compared to a pre-tax profit of RM1.27 million in the previous year. Competition remained stiff in intelligent building management system ("IBMS") and integrated security management system ("ISMS") market with lower profit margin. The challenging situation was compounded by the escalating prices of raw materials during the year. In addition, the operating loss for the financial year was primarily a result of higher administrative and operating expenses incurred for the Group due to increase in staff force as a result of expansion of overseas operations as well as higher allowance for doubtful debts and inventory written down.

In light of that, the Group posted a loss after taxation of RM7.31 million for FYE 2008 compared to a profit after taxation of RM0.41 million for the previous financial year.

OPERATIONS OVERVIEW

Engineering Division

During the financial year 2008, we secured IBMS and ISMS projects worth a total of RM32.2 million both locally and overseas.

During the year under review, the Group has also successfully secured and is in the final stage of completing the Mechanical and Electrical works of an aircraft hangar in Abu Dhabi airport. We take special pride in this project as this was our maiden aircraft hangar project and our first project in Abu Dhabi despite operating under unfamiliar local conditions. The success in aviation sector will enhance our chances in securing more similar projects in the Middle East countries. Despite the woes of the world financial crisis, Middle Eastern business aviation is bucking the rest-of-the world's depressing trend, with many Arabian companies eyeing this period as the perfect time to invest in regional aircraft maintenance, repair and overhaul ("MRO") infrastructure and expand operations.

ICT Support Services Division

Our venture into ICT business has been making good progress. Our revenue grew significantly from the previous year and this is a testimony of strength in Metronic iCares Sdn Bhd's ("MICSB") highly motivated and driven management, ably supported by dynamic sales, technical, and administrative staff.

As a service provider in the health care administration business, we are taking advantage of the increasing opportunities available in the turnkey outsourcing business, developing invaluable partnerships with healthcare service providers, insurance companies, insurance brokers and large and medium corporations. Our growth owes much to our clients' belief and confidence in MICSB's technical capabilities and services, coupled with competent execution of works.

The iCare System is now well established in the Malaysian healthcare industry. Over the two years since it was incorporated, MICSB has successfully secured 15 major accounts with its principal clients. To assist its principal clients, MICSB has now installed this end-to-end web-based technology, called iCare System through a network of over 100 panel hospitals and 1500 panel clinics.

BUSINESS STRATEGY

During the year, MGB carried out a thorough evaluation on the overall direction of the Group, in respect of the performance of each operating unit in order to put the Group back on the growth path. The business strategy was formulated in early 2009 with the objectives of charting the Group's direction and developing strategies to further enhance the growth prospects. The following main key imperatives were identified:

- to remain focused on our core competencies and our commitment in serving the needs of our customers and markets;
- to continue seeking strategic alliances for technology transfer and know-how and product enhancement to create synergies and generate business opportunities. This will enable us to grow new capabilities to sustain our competitive edge;
- to position the Group as a total solution provider in the areas of green building (energy & environmental conservation) which could help customers to improve their business efficiency, reduce energy costs, improve indoor environment quality, reduce carbon dioxide emissions and ultimately increase profitability;
- to evaluate the long-term viability of the Group's various subsidiaries and determine the next course of action in the best interests of the Group;
- to operate more efficiently by consolidating our overseas operations as well as taking various cost control measures to keep overheads down;
- to invest in structural education and skills training programmes to enhance the skills and knowledge of technical staff in order to improve their productivity and efficiency and create their awareness on green building concept;
- to focus on project execution to ensure timely completion and delivery of projects to further enhance the Group's reputation; and
- to explore overseas market for expansion of our M&E and aircraft hangar business.

As the Group seeks sustainable growth through the above mentioned strategies, we place great emphasis and reliance on our people who are our engine of growth as we continue on our path towards sustainable growth.

CORPORATE DEVELOPMENTS

The following are highlights of some of the corporate developments that took place during the financial year and up to the date of this report:

(i) Joint Venture cum Shareholders' Agreement with Jiang Xiaoli ("Jiang")

On 3 September 2008, the Company signed a Joint Venture cum Shareholders' Agreement with Jiang to co-operate and collaborate on the development and commercialization of the Optical Fiber Perimeter Security System via a joint venture company known as Ideal Ultimate Sdn Bhd which was incorporated on 1 July 2008. MGB owned a 58% equity interest in the Joint Venture.

(ii) Incorporation of Metronic Vietnam Company Limited ("MVCL")

On 12 September 2008, MGB incorporated a wholly-owned subsidiary known as MVCL to undertake the Group's business activities in Vietnam. The principal business activities of MVCL are design, production and sales of engineering systems for the information and communication technology industry, specialising in IBMS and ISMS.

(iii) Acquisition of IPanel Malaysia Sdn Bhd ("IPM") and IPanel Pte Ltd ("IPS")

On 6 January 2009, the Company completed the acquisition of 75% equity interest in IPM, 30% equity interest and entire (60,000 of S$1.00 each) preference shares of IPS from Goldis Berhad for a total cash consideration of RM1,200,000. The principal activities of IPM are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system. The principal activities of IPS are sale of electronic products and intelligent facilities management system. IPS is the registered and beneficial owner of 25% in IPM. The acquisition will enable the MGB Group to diversify its product range and acquired new technology which will enhance the MGB Group's competitiveness to secure additional contracts in local and oversea markets.

(iv) Water Concession Agreement with Lai'An County Water Utility Board ("Water Utility Board"), Anhui Province in the People's Republic of China ("PRC")

On 2 February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with the Water Utility Board, Anhui Province in the PRC for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the PRC via a wholly-owned foreign subsidiary known as Anhui Lai'An Metronic Water Supply Company Limited which was incorporated on 11 March 2009. The total investment capital was agreed at US$3.35 million.

The investment is to enable the MGB Group to venture in the water concession business by tapping into the potential growth offered by the Chinese market in-line with China's urbanization and awareness in environmental protection and need for safe-drinking water for rural, commercial and industrial development. The investment will also expand and diversify the Group's revenue base and generate recurring income to complement the Group's mainly project based revenues/incomes.

(v) Disposal of Ariantec Sdn Bhd ("Ariantec"), an associated company of MGB

On 6 March 2009, the company entered into a Conditional Share Sale Agreement ("SSA") with Global Soft (MSC) Bhd ("GS") for the disposal of 1,000,000 ordinary shares of RM1.00 each representing 25.27% equity interest in Ariantec for a total disposal consideration of RM9.666 million to be fully satisfied via the issuance of 96,657,750 new ordinary shares of RM0.10 each in GS ("Consideration Shares") at an issue price of RM0.10 per share ("Proposed Disposal"). The Proposed Disposal is subject to the conditions precedents set out in the SSA being fulfilled and complied. Upon completion of the disposal, Ariantec will cease to be an associate of the Company, in which the Company will become one of the substantial shareholders in GS, holding approximately 17.02% equity interest in GS.

The Proposed Disposal is consistent with the Company's corporate strategy to unlock its investment in Ariantec to convert non-liquid investment to more liquid investment in the form of Consideration Shares which will be listed on MESDAQ Market of Bursa Malaysia Securities Berhad.

PROSPECT

In the forthcoming year, the Engineering Division will continue to focus on completing the projects on hand. Despite the challenges and intense competition that lie ahead, the Group is fully geared up to capture a fair share of the construction projects under the Ninth Malaysia Plan and the stimulus packages announced by the Malaysian Government to sustain the Group's position in the home market. On the overseas front, the Group will continue to focus primarily on China, India, Vietnam and the Middle East markets.

The Group will continue its effort to secure large scale M&E projects and aircraft hangar projects and continue to focus on product expansion and enhancement in the area of green building. In the next two years, we shall see an increase in the value of green building projects being tendered, be it new or old buildings. The Group is well positioned to secure a number of these projects and we believe that the Group has a bright future in the exciting growth industry of addressing the world's green building needs.

The Group is also encouraged with the prospects of MICSB which will be key growth driver for the MGB Group in the long term. MICSB is currently diligently exploring opportunities which will enable us to gain entry into new markets in overseas. The Board believes that the most efficient way to enter overseas markets is through strategic partnership. Potential partners have been identified and a number of insurance companies and other potential clients in the area have expressed their interests in MICSB's iCare System. The Board believes that ICT Support Services Division will continue to provide steady and recurring income to the Group in the future.

Notwithstanding the challenging business environment, the Directors are of the opinion that the Group should be able to achieve a modest and better performance in the forthcoming year as compared to FYE 2008.

APPRECIATION AND ACKNOWLEDGEMENT

We extend a warm welcome to our new director, Mr. Lim Tzeh Foong who was appointed as the Company's Independent Non-Executive Director on 1 August 2008 and as a Chairman of Audit Committee on 28 August 2008. We look forward to his invaluable contributions to the Company. His experience and expertise will be an asset to MGB Group going forward.

We would also like to record our appreciation to Mr. Lee Fok Chong who stepped down as an Independent Non-Executive Director and Chairman of Audit Committee during the financial year 2008. We thank him for his invaluable contributions as the Group has benefited from his wise counsel and guidance.

On behalf of the Board and management team, I would like to thank our customers, business associates, bankers and other stakeholders for their unwavering support. The year 2008 has been a rather turbulent one, and I am grateful that they have stood by the Company and continued to give us strong support. I would also like to thank our employees for their dedication and hard work. We look forward to their continuing partnership to propel the Group forward in the future.

Last but not least, I would like to thank all the shareholders for their continued trust and support in us. I wish to reiterate that we will spare no effort towards enhancing the value of their investment.

The Board does not recommended the payment of any dividend in respect of FYE 2008 in view of the Group's financial performance.

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") is committed to ensure that the highest standards of corporate governance are observed and consistently practiced throughout the Group. The Board views this as a fundamental part of discharging its responsibility to protect and enhance shareholders' value and the financial performance of the Company.

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") which was revised on 1 October 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 unless stated otherwise.

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 inter alia, approval of major investments, divestments, capital expenditures, financial matters, related party transactions, financial and operating results and performance of the Group and in establishing key policies and procedures.

2) Composition of the Board

The Board of MGB currently consists of eight (8) members, of whom three (3) members of the Board are Independent Non-Executive Directors. This is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities which requires at least two (2) directors or 1/3 of the Board of Directors, whichever is the higher, to be independent.

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 judgment.

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. The Board is currently led by an Executive Chairman who is primarily responsible for the orderly conduct and working of the Board. The Managing Director together with the Executive Director are primarily responsible for implementing the policies and decisions of the Board, overseeing and managing the day to day operations and managing the development and implementation of the Company's business and corporate strategies. There is no combination or overlapping of roles between the current Executive Chairman and the Group Managing Director of the Company since these two positions are held by separate individuals. As such, the Board is of the view that there is no necessity to appoint a Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

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.

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 2008					Total
		28.2.08	29.4.08	28.5.08	28.8.08	27.11.08	
Tan Sri Dato' Kamaruzzaman bin Shariff	Executive Chairman	@	@	@	@	@	5
Dato' Abd Gani bin Yusof	Executive Vice-Chairman	@	@	@	@	@	5
Dr. Ng Tek Che	Group Managing Director	@	@	@	@	@	5
Liew Chiap Hong	Executive Director	@	@	@	@	@	5
Lee Fok Chong (Resigned on 28 August 2008)	Independent Non-Executive Director	@	@	@	@	N/A	4
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director	@	*	@	@	@	4
Amirudin bin Mohd Baria	Independent Non- Executive Director	*	@	@	@	@	4
Li Ji Chang (Retired on 23 June 2008)	Non-Independent Non- Executive Director	*	*	*	N/A	N/A	0
Edmund Chuah Choong Eng Huat	Non-Independent Non-Executive Director	@	*	*	@	@	3
Gu Ying (Resigned on 8 April 2009)	Non-Independent Non-Executive Director	*	*	*	*	*	0
Lim Tzeh Foong (Appointed on 1 August 2008)	Independent Non-Executive Director	N/A	N/A	N/A	@	@	2

@ - *Present*
* - *Absent with apologies*
N/A - Not applicable

The Board is provided with agenda together with a set of board papers prior to board meetings. The Board papers include 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. Senior management and advisers are invited to attend Board meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at the Board meetings.

The Board Members have full access to the advices and services of the Company Secretaries and other professionals and all information 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
Lim Tzeh Foong (Chairman) (Appointed on 28 August 2008)	-	Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	-	Independent Non-Executive Director
Amirudin bin Mohd Baria	-	Independent Non-Executive Director
Lee Fok Chong (Chairman) (Resigned on 28 August 2008)	-	Independent Non-Executive Director

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

ii. Nomination Committee

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

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

Members		Designation
Datuk Subhi bin Hj Dziyauddin (Chairman)	-	Independent Non-Executive Director
Lim Tzeh Foong (Appointed on 28 August 2008)	-	Independent Non-Executive Director
Dr. Ng Tek Che	-	Group Managing Director
Lee Fok Chong (Resigned on 28 August 2008)	-	Independent Non-Executive Director

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

iii. <u>Remuneration Committee</u>

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 subject to corporate and individual performance. Fees for Independent Directors would be determined by the full Board with the approval from shareholders at the Annual General Meeting.

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 determines 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**
Lim Tzeh Foong (Chairman) (Appointed on 28 August 2008)	-	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
Lee Fok Chong (Chairman) (Resigned on 28 August 2008)	-	Independent Non-Executive Director

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

iv. <u>Risk Management Committee</u>

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 31 to 32 of the Annual Report.

5) Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") in compliance with the Listing Requirements 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 seminars, workshops, conferences or other training programmes to keep abreast with new developments in corporate matters as well as industry practices for them to discharge their duties and responsibilities more effectively.

The trainings attended by the Directors in 2008 are as follows:

Tan Sri Dato' Kamaruzzaman bin Shariff

India & Vietnam - Overview of the Tax and Regulatory Environment	28 February 2008
Briefing comprising 7 modules: (i) Emerging Issues for Public Companies - Malaysian Code of Corporate Governance (ii) Emerging Issues for Public Companies - Corporate Social Responsibility Framework (iii) Strategic Risk (iv) Blue Ocean Strategy - An Overview (v) Understanding Strategic Waves (vi) Case Studies (vii) Strategic Thinking	26 November 2008

Dato' Abd. Gani bin Yusof

Effective Cash Flow Management	5 December 2008

Dr. Ng Tek Che

Enterprise Risk Management Workshop	6 October 2008
Effective Cash Flow Management	5 December 2008

Liew Chiap Hong

Corporate Entity Valuation 2008	15-16 January 2008
Effective Cash Flow Management	12 December 2008

Lim Tzeh Foong

2009 Budget Seminar	8 September 2008

Datuk Subhi bin Hj Dziyauddin

Effective Cash Flow Management	5 December 2008

Amirudin bin Mohd Baria

Effective Cash Flow Management	12 December 2008

Edmund Chuah Choong Eng Huat

Effective Cash Flow Management	12 December 2008

6) Retirement and Re-election

In accordance with the Company's Articles of Association ("Articles"), 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 Articles, and being eligible have offered themselves for re-election.

i) Mr. Lim Tzeh Foong

ii) Dato' Abd Gani bin Yusof

iii) Datuk Subhi bin Hj Dziyauddin

iv) Mr. Liew Chiap Hong

B. DIRECTORS' REMUNERATION

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

	Executive Directors	Non-Executive Directors	Total
*Fees (RM)	36,000	74,000	110,000
Salaries and Other Emoluments (RM)	703,004	–	703,004

** 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	4
RM50,001 - RM100,000	–	–
RM100,001 - RM150,000	–	–
RM150,001 - RM200,000	1	–
RM200,001 - RM250,000	1	–
RM250,001 - RM300,000	1	–

For the purpose of security, the Board views that the transparency in respect of the Directors' remuneration has been reasonably dealt with by the 'band disclosure' presented in the above. Therefore, the detailed remuneration of each director was excluded.

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. The Chairman and the other members of the Board together with the Company's auditors will be in attendance to provide explanations to all shareholders' queries.

Apart from the above and the mandatory announcement of the group financial results and corporate developments to Bursa Securities, 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) <u>Financial Reporting</u>

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 statements, the Board has ascertained that reasonable prudent judgment and estimates have been consistently applied and accounting policies adopted have been complied with.

Fair assessments are always given by the Directors on the Group's financial performance and prospects in respect of all quarterly results, annual financial statements and announcements issued by the Company. The Board is assisted by the Audit Committee to scrutinise information for disclosure to ensure its timeliness, accuracy and adequacy.

2) <u>Internal Control</u>

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

3) <u>Relationship with Auditors</u>

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) <u>Directors' Responsibility Statement for the Financial Statements</u>

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 judgments and estimates that are reasonable and prudent;

c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d) prepare the financial statements on a going concern basis.

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 have satisfied that in preparing the financial statements of the Group for the year ended 31 December 2008, 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 on a going concern basis.

E. OTHER INFORMATION

The following information provided is in respect of the financial year ended 31 December 2008.

Utilisation of Proceeds

During the financial year, there were no proceeds raised from any corporate proposal.

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 during the financial year.

Non-audit Fees

There were no non-audit fees paid or payable to the external auditors by the Group in respect of the financial year ended 31 December 2008.

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 2008.

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 32 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

The Group recognises the importance of Corporate Social Responsibility. The Group does not have a formal corporate social responsibility programme but is bonded together by strong belief and corporate philosophy to be a caring company, which has resulted in activities in the following areas:

(i) Safety and Health

The Group is committed to provide a safe and healthy working environment for employees in the Group under the requirements of ISO. Enforcement is also carried out to ensure that continuous adherence to all safety measures is observed at all times.

(ii) Skill Development

The Group strives to motivate and retain the best employees by providing continuous training by sending them to attend relevant courses and seminars to upgrade their knowledge and skills within their job scope. During the year under review, the Company utilised Human Resource Development Fund for selective training to enhance employees' technical and soft skill. It is the Company's hope that the employees of the Group become respected and responsible citizens of society as well as leaders in their respective fields of specialisations.

(iii) Workers' Welfare

The Group is a multi-racial organisation. To promote closer working relationship and foster better understanding among the multi-racial employees, the Group organised family day where the staffs get to know each other better outside the workplace which can greatly enhance their workplace relationship. The Group also provided opportunities for the employees from different departments and levels to interact, integrate and develop teamwork through sport activities such as bowling, badminton and yoga.

(iv) Caring for the Communities

The Group also provided assistance in cash and in kind towards charitable causes in the year under review, including contribution to the campaign launched by the State Government of Penang to eradicate hardcore poverty in Penang.

(v) The Environment

The Group recognises the importance of environmental conservation. The Group has adopted eco-friendly practices in its day-to-day work in order to minimise the impact on the environment. For example, waste and construction debris were disposed at approved dumpsites. Staffs and clients are encouraged to fully maximise the benefits of ICT (e.g. email, instant messaging etc) for communications. The Group has also implemented the recycling of used papers and promoting good practices on energy saving by switching off unused equipments and lightings via Intelligent Building Management System.

Recurrent Related Parties Transactions

The Shareholders' of MGB had at the Fifth (5th) Annual General Meeting held on 23 June 2008 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 30 May 2008.

For the financial year ended 31 December 2008, 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 2008 to December 2008 (RM)
(i) Metronic Engineering Sdn Bhd ("MESB")	Metronic Corporation Sdn Bhd ("MCSB")	Rental of office space to MCSB on a monthly basis	Dato' Abd. Gani bin Yusof Dr. Ng Tek Che Liew Chiap Hong	Note (a)	12,000
(ii) MESB	ITG Worldwide (M) Sdn Bhd ("ITG")	Purchases of consumable parts from ITG	Liew Chiap Hong	Note (b)	1,423,904
(iii) MESB	ITG	Rental of office space to ITG on a monthly basis	Liew Chiap Hong	Note (b)	12,000
(vi) MESB	Integrated Commerce Sdn Bhd ("ICSB")	Maintenance revenue receivable from ICSB in respect of maintenance services	Dato' Abd. Gani bin Yusof	Note (c)	67,869
(v) MESB	MH Projects Sdn Bhd ("MHP")	Contract and maintenance revenue receivable from MHP in respect of e-project management of mechanical and electrical services and supply of medical and non-medical equipment	Tan Sri Dato' Kamaruzzaman bin Shariff Dato' Abd. Gani bin Yusof	Note (d)	680
(vi) MESB	ER Mekatron Manufacturing Sdn Bhd ("ERM")	Subcontractor fee payable to ERM in respect of supply of equipment and installation services	Edmund Chuah Choong Eng Huat ("Edmund Chuah")	Note (e)	647,115
(vii) MESB	Edmund Chuah	Sale of equipment to Edmund Chuah	Edmund Chuah	Note (e)	62,431

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 MCSB, with shareholdings of 58%, 22% and 20% respectively.

(b) Liew Chiap Hong, who is a Director of MGB, is also a director of ITG with a shareholding of 51%.

(c) Dato' Abd. Gani bin Yusof, who is a Director of MGB, is also a Director and shareholder of ICSB with a shareholding of 51%.

(d) Tan Sri Dato' Kamaruzzaman bin Shariff and Dato' Abd. Gani bin Yusof, who are Directors of MGB, are also directors of MHP.

(e) 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.

audit
committee report

The Audit Committee of Metronic Global Berhad ("MGB" or "the Company") 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 responsibilities.

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

A. MEMBERS

The Members of the Audit Committee during the financial year ended 31 December 2008 are as follows:

Members	Designation
Lim Tzeh Foong *(Chairman)* (Appointed on 28 August 2008)	- Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	- Independent Non-Executive Director
Amirudin bin Mohd Baria	- Independent Non-Executive Director
Lee Fok Chong *(Chairman)* (Resigned on 28 August 2008)	- Independent Non-Executive Director

B. TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:-

1) Composition

The Audit Committee shall be appointed by the Board from amongst their members and shall comprise at least three directors, all of whom must be non-executive directors, with a majority of them being independent directors. The Chairman who shall be elected from amongst members of the Committee shall be an independent non-executive director. The Board shall at all times ensure that the Audit Committee should be financially literate and at least one member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA"). If he is not a member of MIA he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

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 Committee and its members at least once every 3 years. The last review was performed on 28 November 2007.

2) Objective

The primary objective of the Committee is to assist the Board in the effective discharge of its fiduciary responsibilities in the following aspects:

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.

iii) Oversee financial reporting and evaluate the internal and external audit processes.

3) Authority

The Committee is authorised to investigate any matter within its terms of reference with full and unrestricted access to both internal and external auditors and all the Group's records, properties and personnel.

The Committee is authorised 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 statements 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 non-executive directors.

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

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.

5) Duties and Responsibilities

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

i) Review with the external auditors, the audit scope and plan, including any changes to the audit plan and scope.

ii) Review the adequacy of the internal audit scope and plan, as well as the functions, competency 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, internal and external auditors, including the status of previous audit recommendations.

v) Review the assistance given by the Group's employees to both the internal and external 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 or external 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 defalcations, frauds and thefts.

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 organisational compliance with statutory and Listing Requirements of Bursa Securities and other legislative and reporting requirements.

xiii) Any other activities, as authorised by the Board.

C. SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

During the financial year ended 31 December 2008, the Audit Committee convened five (5) meetings. Details of the attendance of the committee members are as follows:

Members	No. of meetings attended
Lim Tzeh Foong (Appointed on 28 August 2008)	2/2
Datuk Subhi bin Hj Dziyauddin	4/5
Amirudin bin Mohd Baria	4/5
Lee Fok Chong (Resigned on 28 August 2008)	4/4

The meetings were appropriately structured through the use of agendas and meeting 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) Reviewed unaudited quarterly financial results of the Company including the announcements pertaining thereto prior to submission to the Board for consideration and approval.

ii) Reviewed the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007 and issues arising from the audit thereof prior to submission to the Board for consideration and approval.

iii) Reviewed the audit plan presented by the external auditors prior to their annual audit as to their scope of work and strategy.

iv) Reviewed matters arising from the audit of the Group in a meeting with the External Auditors without the presence of any executive officer of the Group;

v) Reviewed the annual audit plan prepared by the internal auditors to ensure adequate scope and coverage on their activities.

vi) Reviewed internal audit report prepared by the internal auditors especially with regards to issues raised, recommendations made and management's response to their recommendations.

vii) Reviewed the risk assessment reports prepared by the internal auditor and the recommendations made.

viii) Reviewed the recurrent related party transactions of a revenue nature or trading nature within the Group for inclusion in the circular to the shareholders in relation to the proposed renewal of the shareholders' mandate for recurrent transactions pursuant to Listing Requirements of Bursa Securities for the Board's approval.

ix) Reviewed all related party transactions and recurrent related party transactions that arose in the Group on a quarterly basis to ensure that they are within the mandate obtained.

x) Reviewed the performance of the external auditors and recommendations made to the Board on their reappointment and remuneration.

xi) Reviewed the Audit Committee Report, Statement on Internal Control and Statement of Corporate Governance and its recommendations to the Board for inclusion in the Annual Report.

D. INTERNAL AUDIT FUNCTION

The Group has appointed an external consulting company 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.

statement on internal control

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 Metronic Global Berhad and its subsidiaries ("the Group") during the financial year ended 31 December 2008.

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 the 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 (excluding associates and jointly controlled entity). Risk assessment and evaluation is an integral part of the Group's business and operating processes. The Head of Departments are responsible for managing the risks of their respective department as part of their day-to-day duties.

During the year, the management with the assistance of external consultants completed the compilation of a consolidated risk profile for the Group. Key risks which could affect the achievement of the Group's strategic objectives were assessed in terms of the potential impact and likelihood of those risks occurring. The effectiveness of controls and the action plans being taken to manage those risks were also identified. A summary of the key findings and recommendations was discussed with the management before presented to the Audit Committee.

In addition, the Risk Management Committee ("RMC") headed by the Group Managing Director, comprises members from amongst the senior management 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 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 an external consultant. The internal auditors adopt a risk-based approach and prepare the audit plan based on the risk profile of the Group. The internal auditors 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.

The findings of internal audit were 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.

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

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

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

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

5. Conclusion

There was no 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 hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

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 acquired a new subsidiary, namely Ideal Ultimate Sdn. Bhd. and incorporated a new wholly owned foreign subsidiary, namely, Metronic Vietnam Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 16 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
Loss for the year	(7,309,911)	(5,471,060)
Equity holders of the Company	(7,260,285)	(5,471,060)
Minority interests	(49,626)	–
	(7,309,911)	(5,471,060)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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.

DIVIDENDS

There were no dividends paid by the Company since 31 December 2007.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2008.

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
Amirudin bin Mohd Baria
Edmund Chuah Choong Eng Huat
Gu Ying (resigned on 8 April 2009)
Lim Tzeh Foong (appointed on 1 August 2008)
Li Ji Chang (resigned on 23 June 2008)
Lee Fok Chong (resigned on 28 August 2008)

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 benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee as shown in Note 9(b) to the financial statements) 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, other than as disclosed in Note 32 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 1.1.2008	**Bought During the year**	**Sold**	**As at 31.12.2008**
Direct Interest:				
Dato' Abd. Gani bin Yusof	166,767,324	–	–	166,767,324
Dr Ng Tek Che	59,189,175	–	–	59,189,175
Liew Chiap Hong	47,903,459	–	–	47,903,459
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	–	–	3,714,285
Edmund Chuah Choong Eng Huat	185,714	–	–	185,714
Indirect Interest:				
Dato' Abd. Gani bin Yusof	1,034	–	–	1,034
Dr Ng Tek Che	1,034	–	–	1,034
Liew Chiap Hong	1,034	–	–	1,034
Edmund Chuah Choong Eng Huat	558,999	–	–	558,999
Gu Ying*	36,391,308	–	(10,000,000)	26,391,308

By virtue of their interests in the shares of the Company, the directors are 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 2008 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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.

OTHER STATUTORY INFORMATION (cont'd)

(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.

(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.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 35 to the financial statements.

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 2009.

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 40 to 87 are drawn up in accordance with the provisions of the Companies Act, 1965 and 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 2008 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 2009.

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 40 to 87 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 2009 **Dr Ng Tek Che**

Before me,

independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Metronic Global Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 87.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performances and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

(c) We are satisfied that the accounts 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.

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and for those subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 2844/02/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2009

income statements

for the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM (restated)	Company 2008 RM	Company 2007 RM
Revenue	5	**51,661,975**	52,694,835	**–**	–
Cost of sales	6	**(39,451,796)**	(39,979,206)	**–**	–
Gross profit		**12,210,179**	12,715,629	**–**	–
Other income	7	**540,610**	650,793	**40,086**	1,214,057
Administration expenses		**(4,361,040)**	(3,311,490)	**(693,419)**	(786,214)
Other operating expenses		**(18,245,164)**	(11,478,818)	**(4,817,727)**	(175,773)
(Loss)/profit from operations		**(9,855,415)**	(1,423,886)	**(5,471,060)**	252,070
Finance costs	8	**(702,761)**	(454,591)	**–**	(21,989)
Share of profit of associates		**2,591,693**	3,146,332	**–**	–
(Loss)/profit before taxation	9	**(7,966,483)**	1,267,855	**(5,471,060)**	230,081
Income tax expense	10	**656,572**	(854,117)	**–**	93,998
(Loss)/profit for the year		**(7,309,911)**	413,738	**(5,471,060)**	324,079
Attributable to:					
Equity holders of the Company		**(7,260,285)**	988,055	**(5,471,060)**	324,079
Minority interests		**(49,626)**	(574,317)	**–**	–
		(7,309,911)	413,738	**(5,471,060)**	324,079
Earnings per share (sen):					
Basic	11	**(1.14)**	0.17		
Diluted	11	**(1.14)**	0.17		

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

balance sheets
as at 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Assets					
Non-current assets					
Property, plant and equipment	13	**10,960,540**	10,819,664	**–**	–
Investment properties	14	**389,216**	394,483	**–**	–
Intangible assets	15	**2,893,809**	3,710,942	**–**	–
Investment in subsidiaries	16	**–**	–	**24,520,900**	29,467,211
Investment in associates	17	**27,924,116**	23,686,416	**21,514,409**	21,514,409
Investment in jointly controlled entity	18	**–**	–	**220,850**	–
Other investments	19	**409,482**	674,484	**–**	–
Deferred tax assets	20	**2,435,376**	1,663,440	**–**	–
		45,012,539	40,949,429	**46,256,159**	50,981,620
Current assets					
Inventories	21	**2,112,637**	4,514,394	**–**	–
Trade receivables	22	**86,211,184**	98,078,551	**–**	–
Other receivables	22	**3,350,325**	2,328,242	**19,477,677**	20,664,471
Short term deposits	24	**8,173,491**	7,370,557	**1,103,083**	1,063,729
Cash and bank balances	25	**2,791,213**	2,874,676	**199,445**	323,435
		102,638,850	115,166,420	**20,780,205**	22,051,635
Total assets		**147,651,389**	156,115,849	**67,036,364**	73,033,255
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	26	**63,490,690**	63,490,690	**63,490,690**	63,490,690
Foreign currency translation reserve	27	**1,879,609**	143,993	**–**	–
Retained profits/(accumulated loss)	28	**9,832,579**	17,092,864	**(964,796)**	4,506,264
		75,202,878	80,727,547	**62,525,894**	67,996,954
Minority interests		**727,691**	820,375	**–**	–
Total equity		**75,930,569**	81,547,922	**62,525,894**	67,996,954
Non-current liabilities					
Hire purchase payables	29	**66,345**	83,800	**–**	–
		66,345	83,800	**–**	–
Current liabilities					
Trade payables	30	**45,374,457**	51,985,374	**–**	–
Other payables	30	**13,549,841**	13,245,531	**4,510,470**	5,036,301
Bank borrowings	31	**12,610,782**	9,246,386	**–**	–
Provision for taxation		**119,395**	6,836	**–**	–
		71,654,475	74,484,127	**4,510,470**	5,036,301
Total liabilities		**71,720,820**	74,567,927	**4,510,470**	5,036,301
Total equity and liabilities		**147,651,389**	156,115,849	**67,036,364**	73,033,255

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

changes in equity

for the year ended 31 December 2008

	Note	← Attributable to equity holders of the parent				→		
			Non-distributable reserve		Distributable reserve			
	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Retained profits RM	Total RM	Minority interests RM	Total equity RM
Group								
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	16(b)(ii)	2,304,147	4,608,295	–	–	6,912,442	–	6,912,442
Acquisition of associate	17(b)(i)	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 shareholders		–	–	–	–	–	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
At 1 January 2008		**63,490,690**	**–**	**143,993**	**17,092,864**	**80,727,547**	**820,375**	**81,547,922**
Currency translation differences		**–**	**–**	**1,735,616**	**–**	**1,735,616**	**19**	**1,735,635**
Acquisition and subscription of shares in a subsidiary by a minority shareholder		**–**	**–**	**–**	**–**	**–**	**1,093**	**1,093**
Disposal of a subsidiary (Note 18)		**–**	**–**	**–**	**–**	**–**	**(44,170)**	**(44,170)**
Net loss for the year		**–**	**–**	**–**	**(7,260,285)**	**(7,260,285)**	**(49,626)**	**(7,309,911)**
At 31 December 2008		**63,490,690**	**–**	**1,879,609**	**9,832,579**	**75,202,878**	**727,691**	**75,930,569**

	Note	Share capital RM	Non-distributable reserve Share premium RM	Distributable reserve Retained profits/ (accumulated loss) RM	Total Equity RM
Company					
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	16(b)(ii)	2,304,147	4,608,295	–	6,912,442
Acquisition of associate	17(b)(i)	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
At 1 January 2008		**63,490,690**	**–**	**4,506,264**	**67,996,954**
Net loss for the year		**–**	**–**	**(5,471,060)**	**(5,471,060)**
At 31 December 2008		**63,490,690**	**–**	**(964,796)**	**62,525,894**

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

cash flow statements

for the year ended 31 December 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from operating activities				
(Loss)/profit before taxation	**(7,966,483)**	1,267,855	**(5,471,060)**	230,081
Adjustments for:				
(Gain)/loss on disposal of property, plant and equipment (Note 9(a))	**(347)**	4,648	**–**	–
Gain on disposal of quoted securities (Note 9(a))	**(94,748)**	(283,059)	**–**	–
Gain on disposal of subsidiary (Note 9(a))	**–**	–	**–**	(1,160,105)
Unrealised foreign exchange (gains)/ losses (Note 9(a))	**(415,594)**	(44,528)	**10,650**	–
Depreciation of property, plant and equipment (Note 9(a))	**614,075**	604,825	**–**	–
Depreciation of investment properties (Note 9(a))	**5,267**	5,267	**–**	–
Amortisation of intangible assets Note 9(a))	**975,658**	816,181	**–**	–
Write-off of intangible assets (Note 9(a))	**254,975**	5,766	**–**	–
Provision for doubtful debts (Note 9(a))	**3,811,172**	897,740	**–**	–
Write back of provision for doubtful debts (Note 9(a))	**(568,809)**	(596,386)	**–**	–
Impairment loss/(reversal of impairment loss) on quoted securities (Note 9(a))	**230,002**	(223,002)	**–**	–
Provision for diminution of investment in subsidiary (Note 9(a))	**–**	–	**4,751,375**	–
Provision for defect liabilities (Note 9(a))	**973,689**	989,186	**–**	–
Write-down of inventories (Note 9(a))	**2,204,626**	1,398,482	**–**	–
Share of profit of associates	**(2,591,693)**	(3,146,332)	**–**	–
Finance costs (Note 8)	**702,761**	454,591	**–**	21,989
Interest income (Note 7)	**(296,922)**	(259,579)	**(40,086)**	(53,952)
Operating (loss)/profit before working capital changes	**(2,162,371)**	1,891,655	**(749,121)**	(961,987)
Changes in working capital:				
Inventories	**87,645**	(1,083,251)	**–**	–
Receivables	**8,019,854**	5,994,495	**1,186,794**	(4,227,875)
Payables	**(6,908,872)**	(11,407,669)	**(359,800)**	5,268,604
Net cash (used in)/generated from operations	**(963,744)**	(4,604,770)	**77,873**	78,742
Taxes paid	**(582,941)**	(2,945,536)	**–**	–
Interests paid	**(702,761)**	(454,591)	**–**	(21,989)
Interests received	**296,922**	259,579	**40,086**	53,952
Net cash (used in)/generated from operating activities	**(1,952,524)**	(7,745,318)	**117,959**	110,705

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note 16(a)(i)/ Note 16(b))	**–**	(240,677)	**(58)**	(504,214)
Subscription of shares in subsidiaries by the Company (Notes 16(a)(ii) and (iii)/ Note 16(d))	**–**	–	**(202,537)**	(1,633,556)
Subscription of shares in subsidiaries by minority shareholders	**1,093**	151,084	**–**	–
Investment in associates (Note 17(b))	**–**	(2,137,706)	**–**	(2,137,706)
Development costs	**–**	(1,022,652)	**–**	–
Purchase of property, plant and equipment (Note 13)	**(266,001)**	(282,090)	**–**	–
Purchase of intangible assets (Note 15)	**(413,500)**	(309,240)	**–**	–
Proceeds from disposal of property, plant and equipment	**8,043**	20,105	**–**	–
Proceeds from disposal of marketable securities	**129,748**	378,059	**–**	–
Net cash used in investing activities	**(540,617)**	(3,443,117)	**(202,595)**	(4,275,476)
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	**(802,934)**	(554,669)	**(39,354)**	(39,185)
Repayment of bankers' acceptances	**(16,810,594)**	(9,186,122)	**–**	–
Drawdown of bankers' acceptances	**15,866,507**	13,541,614	**–**	–
Drawdown of short term loans	**6,550,771**	–	**–**	–
Repayment of short term loans	**(621,752)**	(1,360,112)	**–**	–
Repayment of hire purchase payables	**(17,455)**	(23,237)	**–**	–
Net cash generated from/ (used in) financing activities	**4,164,543**	6,717,563	**(39,354)**	4,260,904
Net increase/(decrease) in cash and cash equivalents	**1,671,402**	(4,470,872)	**(123,990)**	96,133
Effects of foreign exchange rate changes	**(134,329)**	(10,700)	**–**	–
Cash and cash equivalents at beginning of the year	**(605,530)**	3,876,042	**323,435**	227,302
Cash and cash equivalents at end of the year (Note 25)	**931,543**	(605,530)	**199,445**	323,435
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	**2,791,213**	2,874,676	**199,445**	323,435
Bank overdraft (Note 31)	**(1,859,670)**	(3,480,206)	**–**	–
	931,543	(605,530)	**199,445**	323,435

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 is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office is located at No.4, 2nd floor, Jalan 3/27F, Desa Setapak, Wangsa Maju 53300 Kuala Lumpur. 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 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 acquired a new subsidiary, namely Ideal Ultimate Sdn. Bhd. and incorporated a new wholly owned foreign subsidiary, namely, Metronic Vietnam Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 16 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 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

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

2.2 Summary of significant accounting policies

(a) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

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.

(b) 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 statements 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 gains 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.

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, investment in associates are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the line-by-line reporting format for the proportionate consolidation by referring to the last audited financial statements available and management financial statements.

In the Company's separate financial statements, investment in jointly controlled entities is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and the carrying amount 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 2.2(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 an 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 expenditure 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)

2.2 Summary of 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 2.2(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 loss.

(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 costs 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)

2.2 Summary of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Income tax (cont'd)

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.

(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. These 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 Company's net investment in foreign operations are recognised in profit or loss in the Company's separate 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 results 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 operation 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)

2.2 Summary of 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 2.2(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 2.2(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)

2.2 Summary of 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 2.2(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.

Revenue arising from third party administration services charged to insurance companies and corporate clients are billed annually or quarterly in advance based on membership at the time of renewal. Amounts billed in advance at each balance sheet date are carried forward to future periods as deferred revenue and recognised as revenue in the period to which the services provided relate.

(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)

2.2 Summary of 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 instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. 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)

2.2 Summary of 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 2.2(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 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and Interpretations:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The revised FRSs, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and the Company.

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

3.1 Standards and interpretations issued but not yet effective

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

FRS and interpretations		**Effective for financial periods beginning on or after**
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The above FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application, except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8, and possibly certain financial impact from the adoption of FRS 139.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical judgments in applying the group's accounting policies

There are no judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(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) 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 would result in approximately 8% variance in the Group's revenue. A 10% deference in the estimated total engineering contracts would result in approximately 9% variance in the Group's cost of sales.

(ii) 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 CGU to which the development costs are allocated. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of development costs of the Group as at 31 December 2008 is RM2,242,395 (2007: RM3,233,588).

If management's estimated gross margin had been lower by 10%, the development costs would continue to be unimpaired. 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iii) 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.

Related party debtors and other trade debtors

The outstanding debts from a related party, as disclosed in Note 22 (a)(i), amounting to RM37,559,119, (2007: RM52,607,537) 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 certain group of debtors of RM1,565,033 (2007: RM1,565,033) which relate to work performed by the Group on a number of the above-mentioned projects, as disclosed in Note 22 (a)(ii).

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.

Retention amounts and trade receivables

In respect of certain projects where the Group has performed works as subcontractors, management considered the retention sums and certain trade receivables amounting to RM984,924 (2007: RM1,193,007) 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.

(iv) 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.

(v) 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 20% 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

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

The management of the Company determines whether the carrying amounts of its 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 management's assessment, the Company has recognised an impairment loss on investment in subsidiaries amounting to RM4,751,375 for the current financial year.

(vii) Depreciation and residual values of property, plant and equipment

The cost of renovations, motor vehicles and furniture, fittings and equipment are depreciated on a straight line basis over the respective assets' useful lives. Management estimates the useful lives of these assets to be within 5 to 25 years. These reflect the historical and expected economic lives of the Group's assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. REVENUE

	Group		Company	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM
Contract work	**38,771,061**	43,451,295	**–**	–
Maintenance services	**8,205,861**	6,501,969	**–**	–
Sale of equipment	**2,122,621**	2,438,580	**–**	–
Administration and consultancy services	**2,562,432**	302,991	**–**	–
	51,661,975	52,694,835	**–**	–

6. COST OF SALES

	Group		Company	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM
Contract costs (Note 23)	**35,605,631**	36,761,622	**–**	–
Maintenance services	**2,589,398**	1,912,890	**–**	–
Cost of equipment sold	**1,256,767**	1,304,694	**–**	–
	39,451,796	39,979,206	**–**	–

7. OTHER INCOME

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Interest income	**296,922**	259,579	**40,086**	53,952
Gain on disposal of property, plant and equipment	**347**	–	**–**	–
Gain on disposal of quoted securities	**94,748**	283,059	**–**	–
Gain on disposal of subsidiary	**–**	–	**–**	1,160,105
Rental income	**24,000**	24,000	**–**	–
Interest from overdue debtors	**111,969**	–	**–**	–
Processing fee income	**4,904**	155	**–**	–
Miscellaneous	**7,720**	84,000	**–**	–
	540,610	650,793	**40,086**	1,214,057

8. FINANCE COSTS

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Interest expense on:				
Revolving credit	**165,376**	85,661	**–**	–
Bank overdraft	**165,972**	113,604	**–**	–
Bankers' acceptances	**366,906**	228,830	**–**	–
Hire purchase payables	**4,507**	4,507	**–**	–
Other interest	**–**	21,989	**–**	21,989
Total interest expense	**702,761**	454,591	**–**	21,989

9. (LOSS)/PROFIT BEFORE TAXATION

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
(a) After charging/ (crediting):				
Staff costs (Note 9(c))	**10,374,550**	9,221,121	**–**	–
Auditors' remuneration				
Statutory audits:				
- parent auditors	**151,000**	138,000	**58,000**	43,000
- other auditors	**80,545**	75,345	**–**	–
- under provision in prior year	**27,400**	–	**10,000**	–
Depreciation of property, plant and equipment (Note 13)	**614,075**	604,825	**–**	–
Amortisation of intangible assets (Note 15)	**975,658**	816,181	**–**	–
Write-off of intangible assets (Note 15)	**254,975**	5,766	**–**	–
Directors' emoluments (Note 9(b))	**1,155,585**	954,568	**110,000**	108,000
Rental income	**(24,000)**	(24,000)	**–**	–
Rental expense	**487,294**	177,197	**12,000**	12,000
Foreign exchange (gains)/losses				
- realised	**565,096**	(89,788)	**12,449**	(246)
- unrealised	**(415,594)**	(44,528)	**10,650**	–
Provision for doubtful debts	**3,811,172**	897,740	**–**	–
Impairment loss/ (reversal of impairment loss) on quoted securities	**230,002**	(223,002)	**–**	–

9. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
(a) After charging/ (crediting): (cont'd)				
Depreciation of investment properties (Note 14)	**5,267**	5,267	**–**	–
Provision for defect liabilities	**973,689**	989,186	**–**	–
Provision for diminution of investment in subsidiaries	**–**	–	**4,751,375**	–
Write-down of inventories	**2,204,626**	1,398,482	**–**	–
Interest income				
- short term deposits	**(290,547)**	(249,079)	**(40,086)**	(53,952)
- loan stocks	**(6,375)**	(10,500)	**–**	–
Gain on disposal of quoted securities	**(94,748)**	(283,059)	**–**	–
(Gain)/loss on disposal of property, plant and equipment	**(347)**	4,648	**–**	–
Gain on disposal of subsidiary	**–**	–	**–**	(1,160,105)
Bad debts written off	**–**	148,723	**–**	148,723
Write back of provision for doubtful debts	**(568,809)**	(596,386)	**–**	–
(b) Directors' remuneration:				
(i) Executive directors' remuneration				
Fees	**191,562**	36,000	**36,000**	36,000
Defined contribution benefit (EPF)	**83,328**	91,621	**–**	–
Other emoluments	**806,695**	754,947	**–**	–
	1,081,585	882,568	**36,000**	36,000
Non-executive directors' remuneration				
Fees	**74,000**	72,000	**74,000**	72,000
Total directors' remuneration	**1,155,585**	954,568	**110,000**	108,000

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

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
(ii) Directors of the Company Executive:				
Defined contribution benefit (EPF)	**73,584**	73,440	**–**	–
Other emoluments	**629,420**	629,564	**–**	–
Fees	**36,000**	36,000	**36,000**	36,000
	739,004	739,004	**36,000**	36,000
Non-Executive:				
Fees	**74,000**	72,000	**74,000**	72,000
Total	**813,004**	811,004	**110,000**	108,000

9. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

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

(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 2008	2007
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 - RM300,000	**1**	1
Non-Executive directors:		
Below RM50,000	**4**	3

(c) Employee information

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Staff costs (excluding directors' emoluments)				
Salary, wages and bonus	**8,159,081**	7,429,927	**–**	–
Termination benefits	**–**	147,188	**–**	–
Defined contribution benefit (EPF)	**1,035,742**	833,179	**–**	–
Other staff related expenses	**1,179,727**	810,827	**–**	–
	10,374,550	9,221,121	**–**	–

10. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There were no tax for the foreign subsidiaries in China, Singapore, India and Vietnam as they were in a tax loss position for the current financial year.

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Malaysian taxation based on the results for the year:				
- Current	**108,000**	1,171,337	**–**	–
- Under/(over) provision in prior years	**10,375**	(22,352)	**–**	(93,998)
Deferred tax (Note 20)				
- relating to origination and reversal of temporary differences	**(782,935)**	(234,868)	**–**	–
- Overprovision in prior year	**(9,722)**	(114,000)	**–**	–
- Relating to changes in tax rates	**17,710**	54,000	**–**	–
	(656,572)	854,117	**–**	(93,998)

10. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax applicable to (loss)/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	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
(Loss)/profit before taxation	**(7,966,483)**	1,267,855	**(5,471,060)**	230,081
Taxation at the statutory tax rate of 26% (2007: 27%)	**(2,071,286)**	342,321	**(1,422,476)**	62,122
Effect of different tax rate in subsidiaries	**142,313**	68,014	**–**	–
Effect of expenses not deductible for tax purposes	**1,860,510**	1,478,446	**1,335,235**	255,093
Utilisation of previously unrecognised tax losses	**(67,357)**	–	**–**	–
Utilisation of previously unrecognised unabsorbed capital allowances	**(34,288)**	–	**–**	–
Effects of share of profit of associates	**(673,840)**	(849,509)	**–**	–
Effect of income not subject to tax	**(24,824)**	(482,501)	**(190)**	(317,215)
Under/(over) provision of tax expense in prior years	**10,375**	(22,352)	**–**	(93,998)
Overprovision of deferred tax in prior year	**(9,722)**	(114,000)	**–**	–
Deferred tax assets not recognised	**193,837**	379,698	**87,431**	–
Deferred tax recognised at different tax rates	**17,710**	54,000	**–**	–
	(656,572)	854,117	**–**	(93,998)

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.

	2008	**2007**
(Loss)/profit attributable to ordinary equity holders of the Company (RM)	**(7,260,285)**	988,055
Weighted average number of ordinary shares in issue	**634,906,903**	596,215,828
Basic/diluted (loss)/earnings per share (sen)	**(1.14)**	0.17

12. DIVIDENDS

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2008.

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 2008 RM
Cost							
At 1 January 2008	**1,223,566**	**4,440,919**	**4,297,643**	**323,334**	**2,573,374**	**642,817**	**13,501,653**
Additions	**–**	**–**	**27,549**	**–**	**238,452**	**–**	**266,001**
Disposals	**–**	**–**	**–**	**–**	**(124,539)**	**–**	**(124,539)**
Exchange differences	**–**	**–**	**521,529**	**–**	**(1,227)**	**14,207**	**534,509**
At 31 December 2008	**1,223,566**	**4,440,919**	**4,846,721**	**323,334**	**2,686,060**	**657,024**	**14,177,624**
Accumulated depreciation and impairment							
At 1 January 2008	**–**	**341,044**	**236,370**	**185,350**	**1,828,128**	**91,097**	**2,681,989**
Depreciation charge for the year (Note 9(a))	**–**	**92,065**	**90,866**	**44,157**	**353,690**	**33,297**	**614,075**
Disposals	**–**	**–**	**–**	**–**	**(116,843)**	**–**	**(116,843)**
Exchange differences	**–**	**–**	**34,431**	**–**	**1,371**	**2,061**	**37,863**
At 31 December 2008	**–**	**433,109**	**361,667**	**229,507**	**2,066,346**	**126,455**	**3,217,084**
Net carrying value							
As at 31 December 2008	**1,223,566**	**4,007,810**	**4,485,054**	**93,827**	**619,714**	**530,569**	**10,960,540**

The freehold land and buildings with a total net carrying value of RM5,231,376 (2007: RM5,323,441) are charged to licensed banks for banking facilities granted to the Group (Note 31 and Note 34).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net carrying value of RM83,906 (2007: RM116,202).

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 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 (Note 9(a))	–	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 carrying 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 carrying value of RM5,323,441 (2006: RM5,415,506) are charged to licensed banks for banking facilities granted to the Group (Note 31 and Note 34).

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

14. INVESTMENT PROPERTIES

	Freehold land RM	Freehold building RM	Leasehold building RM	Total RM
Cost				
At 1 January 2008/ At 31 December 2008	**245,909**	**179,644**	**362,979**	**788,532**
Accumulated depreciation and accumulated impairment losses				
At 1 January 2008	**95,909**	**32,644**	**265,496**	**394,049**
Depreciation charge	**–**	**3,000**	**2,267**	**5,267**
At 31 December 2008	**95,909**	**35,644**	**267,763**	**399,316**
Net carrying value				
At 31 December 2008	**150,000**	**144,000**	**95,216**	**389,216**

14. INVESTMENT PROPERTIES (cont'd)

	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

There is no rental income and the expenses relating to these investment properties are not material.

The following investment properties are held under lease terms:

	Group	
	2008 RM	2007 RM
Leasehold building	**95,216**	97,483

All investment properties are pledged as securities for borrowings (Note 31).

15. INTANGIBLE ASSETS

Group	Software RM	Development Costs (Note 15(a)) RM	Goodwill RM	Total RM
Cost				
At 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
Write-off	–	–	(5,766)	(5,766)
At 31 December 2007 and 1 January 2008	1,002,666	3,936,067	–	4,938,733
Additions				
- purchased	413,500	–	–	413,500
Write-off	–	(254,975)	–	(254,975)
At 31 December 2008	**1,416,166**	**3,681,092**	**–**	**5,097,258**

15. INTANGIBLE ASSETS (cont'd)

Group (cont'd)	**Software RM**	**Development Costs (Note 15(a)) RM**	**Goodwill RM**	**Total RM**
Accumulated Amortisation and Impairment				
At 1 January 2007	354,165	57,445	–	411,610
Amortisation	171,147	645,034	–	816,181
At 31 December 2007 and 1 January 2008	525,312	702,479	–	1,227,791
Amortisation	239,440	736,218	–	975,658
At 31 December 2008	**764,752**	**1,438,697**	**–**	**2,203,449**
Net carrying amount				
As at 31 December 2008	**651,414**	**2,242,395**	**–**	**2,893,809**
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, 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 have been written off during the financial year.

The recoverable amounts of these intangible assets are determined based on value-in-use calculations using cash flow projections approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	Group 2008 %	**Group 2007 %**
Budgeted gross margin	**15.0 - 40.0**	15.0 - 40.0
Growth rate	**10.0 - 25.0**	10.0 - 55.0
Discount rate	**7.0**	7.0

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of development costs:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

(ii) Growth rate

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

(iii) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the respective companies.

16. INVESTMENT IN SUBSIDIARIES

	Company 2008 RM	Company 2007 RM
Unquoted shares, at cost		
In Malaysia,	**23,021,993**	23,021,935
Outside Malaysia	**6,250,282**	6,445,276
	29,272,275	29,467,211
Less: Accumulated impairment losses	**(4,751,375)**	–
	24,520,900	29,467,211

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Equity interest held 2008 %	Equity interest held 2007 %	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.
Metronic Mobile Services Sdn. Bhd.	Malaysia	**100**	100	Dormant.
Metronic R&D Sdn. Bhd.	Malaysia	**100**	100	Research, development, production and marketing of building automation and security system products, modules and related parts.

16. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Equity interest held 2008 %	2007 %	Principal activities
Metronic Australia Private Limited	Australia	**60**	60	Dormant.
Adprima Sdn. Bhd.	Malaysia	**60**	60	Consultancy services on management, engineering and information technology.
Securetrax Solutions Private Limited*	Singapore	**99**	99	Development, production and marketing of products relating to home land security.
Ideal Ultimate Sdn. Bhd.	Malaysia	**58**	–	Currently dormant. Intended activities are development and commercialisation of the Optical Fiber Perimeter Security System.
Metronic Vietnam Company Limited*	Vietnam	**100**	–	Currently dormant. Intended activities are design, production and sales of engineering systems for the information and communication technology industry, specialising in intelligent management system and integrated security management system.

* Audited by firms of auditors other than Ernst & Young

(a) Acquisition and incorporation of subsidiaries in the year ended 31 December 2008:

(i) Effective 17 December 2008, the Company holds a 58% equity interest in Ideal Ultimate Sdn Bhd ("Ideal Ultimate") via an acquisition of 1 ordinary share and subscription for 57 ordinary shares of RM1.00 each in Ideal Ultimate for a total cash consideration of RM58.

(ii) On 12 September 2008, the Company incorporated a wholly owned foreign subsidiary, Metronic Vietnam Company Limited ("MVCL") in Vietnam with a total investment capital of US Dollar ("US$") 200,000. During the financial year, the Company has invested US$24,999 (equivalent to RM88,088) as investment capital.

(iii) On 14 July 2008, Securetrax Solutions Pte Ltd ("Securetrax") increased its ordinary share capital from 450,000 to 500,000 ordinary shares via issuance of additional 50,000 ordinary shares of S$1.00 each for cash during the year. The Company subscribed for 49,500 of the said ordinary shares of S$1.00 each for a cash consideration of S$49,500 (equivalent to RM114,449), thus maintaining its 99% equity interest in Securetrax.

The effect of the above acquisitions to the financial position of the Group at the date of acquisition was not material. Accordingly, no disclosure on financial effects is made.

(b) Acquisition of subsidiaries in the previous 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 a 100% equity interest in HK Broadway 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 Metronic 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 had been 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)

(b) Acquisition of subsidiaries in the previous year ended 31 December 2007: (cont'd)

(iii) 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 a 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 the following:

	RM
Purchase consideration satisfied by cash	162,500
Ordinary shares issued, at fair value (Note 26)	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 20)	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

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

16. INVESTMENT IN SUBSIDIARIES (cont'd)

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

(i) On 30 April 2007, the Company subscribed for 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 for 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 eachto 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 for 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.

(d) Disposal of a subsidiary in the previous year ended 31 December 2007:

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 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Unquoted shares, at cost:				
In Malaysia	**5,845,993**	5,845,993	**5,845,993**	5,845,993
Outside Malaysia	**15,668,416**	15,668,416	**15,668,416**	15,668,416
	21,514,409	21,514,409	**21,514,409**	21,514,409
Share of post-acquisition reserves	**4,874,221**	2,282,528	**–**	–
Exchange differences	**1,535,486**	(110,521)	**–**	–
	27,924,116	23,686,416	**21,514,409**	21,514,409

Details of the associates are as follows:

Name of company	Country of incorporation	Equity interest held 2008 %	Equity interest held 2007 %	Voting power held 2008 %	Voting power held 2007 %	Principal activities
Held by the Company:						
Unilink Development Limited	Hong Kong	**25**	25	**25**	25	Investment holding.
Ariantec Sdn. Bhd.	Malaysia	**40**	40	**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.

(a) There was no new investment in associates for the year ended 31 December 2008.

(b) Investment in associates in the previous 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 a 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. The transaction costs incurred for this acquisition amounted to RM341,713.

On 31 December 2007, the Company acquired an additional 125 ordinary shares of HK$ 1.00 each in Unilink, representing a 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 a 100% equity interest in HK Broadway for a consideration of RM8,414,260. Details of the 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.

17. INVESTMENT IN ASSOCIATES (cont'd)

(b) Investment in associates in the previous year ended 31 December 2007 are as follows: (cont'd)

(ii) On 20 July 2007, the Company acquired 600,000 ordinary shares of RM1.00 each in Ariantec Sdn. Bhd. ("Ariantec") representing a 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. In 2007, the Company paid a part cash consideration of RM1,350,000 and the remaining balance is to be payable upon Ariantec achieving the profit guarantee. The transaction costs incurred for this acquisition amounted to RM45,993. No further cash consideration was paid in 2008 yet.

In 2007, 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 for 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.

The summarised financial information of the associates are as follows:

	2008 RM	2007 RM
Assets and liabilities		
Current assets	**87,439,472**	51,000,192
Non-current assets	**44,255,407**	53,083,040
Total assets	**131,694,879**	104,083,232
Current liabilities	**46,340,547**	51,881,814
Non-current liabilities	**17,642,861**	–
Total liabilities	**63,983,408**	51,881,814
Income statement		
Revenue	**285,980,377**	475,519,928
Profit for the year	**7,602,154**	13,035,865

18. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Company 2008 RM
Unquoted shares, at cost:	
Outside Malaysia	**220,850**

Name of company	Country of incorporation	Equity interest held 2008 %	2007 %	Principal activities
Metronic Saudi Arabia Limited Liability Company	Kingdom of Saudi Arabia	**50**	90	Currently dormant. 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.

18. INVESTMENT IN JOINTLY CONTROLLED ENTITY (cont'd)

During the financial year, the Company disposed 200,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each in Metronic Saudi Arabia LLC ("MSA"), representing a 40% equity interest in MSA, for a total cash consideration of SAR200,000 (equivalent to RM176,680). The disposal was at cost with no gain no loss recognised. As a result of the disposal, MSA ceased to be a subsidiary and became a jointly controlled entity of the Company.

The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled entities is as follows:

	2008 RM
Assets and liabilities	
Current assets	**231,500**
Non-current assets	**–**
Total assets	**231,500**
Current liabilities	**–**
Non-current liabilities	**–**
Total liabilities	**–**
Income statement	
Revenue	**–**
Expenses, including finance costs and taxation	**–**

19. OTHER INVESTMENTS

	Group 2008 RM	Group 2007 RM
Quoted securities in Malaysia:		
Quoted shares, at cost	**979,165**	979,165
Irredeemable convertible unsecured loan stocks, at cost	**80,000**	115,000
Impairment loss	**(743,683)**	(513,681)
	315,482	580,484
Golf club membership	**94,000**	94,000
	409,482	674,484
Market value of quoted securities	**504,282**	1,224,485

20. DEFERRED TAX

	Group 2008 RM	Group 2007 RM
At 1 January	**1,663,440**	1,371,000
Recognised in income statement (Note 10)	**774,947**	294,868
Foreign currency translation reserve	**(3,011)**	–
Acquisition of subsidiary (Note 16)	**–**	(2,428)
At 31 December	**2,435,376**	1,663,440

20. DEFERRED TAX (cont'd)

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 2008	**93,906**	**93,906**
Recognised in income statement	**(28,722)**	**(28,722)**
Foreign currency translation reserve	**(650)**	**(650)**
At 31 December 2008	**64,534**	**64,534**
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

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2008	**912,000**	**573,000**	**272,346**	**1,757,346**
Recognised in income statement	**133,000**	**229,000**	**384,225**	**746,225**
Foreign currency translation reserve	**–**	**–**	**(3,661)**	**(3,661)**
At 31 December 2008	**1,045,000**	**802,000**	**652,910**	**2,499,910**
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

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

	Group 2008 RM	2007 RM
Unused tax losses	**765,417**	607,310
Unabsorbed capital allowances	**33,367**	26,359
	798,784	633,669

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 Malaysia Income Tax Act, 1967 and guidelines issued by the tax authority.

21. INVENTORIES

	Group 2008 RM	2007 RM
At cost		
Building automation equipment and parts	**1,624,813**	1,898,889
Raw materials	**63,675**	484,476
Finished goods	**424,149**	127,721
Computer servers	**–**	2,003,308
	2,112,637	4,514,394

22. TRADE AND OTHER RECEIVABLES

(a) Trade receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Trade receivables	**9,876,978**	4,802,442	**–**	–
Progress billings receivable	**56,972,670**	76,036,001	**–**	–
Due from customers on contracts (Note 23)	**11,955,608**	7,490,524	**–**	–
Advances to sub contractors	**–**	12,145	**–**	–
Retention sums on contracts (Note 23)	**15,830,300**	15,464,035	**–**	–
	94,635,556	103,805,147	**–**	–
Allowance for doubtful debts	**(8,424,372)**	(5,726,596)	**–**	–
	86,211,184	98,078,551	**–**	–

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:

(i) a balance due from a debtor of RM37,559,119 (2007: RM52,607,537), a company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff are also the directors (a related party as disclosed in Note 32(a)), 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 payments from the relevant authorities; and

(ii) a balance due from certain group of debtors of RM1,565,033 (2007: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 (i) and (ii) amounted to RM39,124,152 (2007: 54,172,570).

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

(b) Other receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Due from subsidiaries	**–**	–	**18,209,117**	20,404,822
Deposits and prepayment	**1,834,709**	664,652	**1,200,000**	82,120
Sundry receivables	**3,012,678**	2,455,871	**68,560**	177,529
Allowance for doubtful debts	**(1,497,062)**	(792,281)	**–**	–
	3,350,325	2,328,242	**19,477,677**	20,664,471

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM1,242,092 (2007: RM876,016).

23. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group 2008 RM	Group 2007 RM
Contract costs incurred to date	**249,205,160**	223,353,539
Add: Attributable profits	**45,715,888**	40,561,236
	294,921,048	263,914,775
Less: Progress billings received and receivable	**(285,549,501)**	(258,576,909)
	9,371,547	5,337,866
Due from customers on contracts (Note 22(a))	**11,955,608**	7,490,524
Due to customers on contracts (Note 30(a))	**(2,584,061)**	(2,152,658)
	9,371,547	5,337,866
Retention sums on contracts, included within trade debtors (Note 22(a))	**15,830,300**	15,464,035
Advances received on contracts, included within trade payables (Note 30(a))	**595,454**	309,249
Contract costs recognised as an expense (Note 6)	**35,605,631**	36,761,622

Included in contract costs recognised as an expense is provision for defect liabilities of RM973,689 (2007: RM989,186) during the year.

24. SHORT TERM DEPOSITS

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Fixed deposits with licensed banks	**8,173,491**	7,370,557	**1,103,083**	1,063,729

All the fixed deposits with licensed banks are pledged as security for banking facilities granted to the Group as disclosed in Note 31 and Note 34.

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

	Interest rate 2008 %	Interest rate 2007 %	Maturity 2008 day	Maturity 2007 day
Group	**3.31**	3.31	**85**	71
Company	**3.70**	3.70	**112**	112

25. 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 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cash and bank balances	**2,791,213**	2,874,676	**199,445**	323,435
Bank overdrafts (Note 31)	**(1,859,670)**	(3,480,206)	**–**	–
Total cash and cash equivalents	**931,543**	(605,530)	**199,445**	323,435

26. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised:				
At 1 January	**1,000,000,000**	500,000,000	**100,000,000**	50,000,000
Created during the year	**–**	500,000,000	**–**	50,000,000
At 31 December	**1,000,000,000**	1,000,000,000	**100,000,000**	100,000,000

	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 1 January 2007	283,540,000	28,354,000	6,406,222	34,760,222
Ordinary shares issued during the year:				
Issued for cash	12,250,000	1,225,000	3,920,000	5,145,000
Acquisition of subsidiary (Note 16(b)(ii))	23,041,474	2,304,147	4,608,295	6,912,442
Acquisition of associate (Note 17(b)(i))	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/ 31 December 2008	634,906,903	63,490,690	–	63,490,690

There was no issuance of shares for the year ended 31 December 2008.

27. 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 operations.

28. RETAINED PROFITS/(ACCUMULATED LOSS)

As at 31 December 2008, the Company has tax exempt profits available for distribution of approximately RM15,500 (2007: RM14,767), subject to the agreement of the Inland Revenue Board.

29. HIRE PURCHASE PAYABLES

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Amounts outstanding	**83,800**	107,037	**–**	–
Less: Due within twelve months (Note 30)	**(17,455)**	(23,237)	**–**	–
Due after twelve months	**66,345**	83,800	**–**	–

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

	2008 Minimum payments RM	2008 Present value of liabilities RM	2007 Minimum payments RM	2007 Present value of liabilities RM
Gross amounts payable				
Not later than 1 year	**21,466**	**17,455**	27,744	23,237
More than 1 year but not later than 5 years	**84,865**	**66,345**	106,331	83,800
	106,331	**83,800**	134,075	107,037
Less: Future finance charges	**(22,531)**	**–**	(27,038)	–
	83,800	**83,800**	107,037	107,037

30. TRADE AND OTHER PAYABLES

(a) Trade payables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade payables	**42,194,942**	49,523,467	**–**	–
Advances received on contracts (Note 23)	**595,454**	309,249	**–**	–
Due to customer on contracts (Note 23)	**2,584,061**	2,152,658	**–**	–
	45,374,457	51,985,374	**–**	–

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM30,052,159 (2007: RM42,758,466) which relates to work completed for certain federal public sector projects as mentioned in Note 22(a)(i) and Note 22(a)(ii) to the financial statements. In accordance with the agreements with these sub-contractors and suppliers, the amount will be settled only upon the Group's receipt of payments from the debtors. The management is confident of enforcing this payment term with the sub-contractors and suppliers.

(b) Other payables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Other creditors and accruals	**9,351,653**	9,715,833	**4,510,470**	5,036,301
Provision for defect liabilities	**4,180,733**	3,506,461	**–**	–
Hire purchase payables (Note 29)	**17,455**	23,237	**–**	–
	13,549,841	13,245,531	**4,510,470**	5,036,301

31. BANK BORROWINGS

	Group 2008 RM	Group 2007 RM
Short term borrowings		
Bank overdraft (secured)	**1,859,670**	3,480,206
Bankers' acceptances (secured)	**4,822,092**	5,766,180
Revolving credit (secured)	**5,929,020**	–
	12,610,782	9,246,386

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed banks of RM8,173,491 (2007:RM7,370,557) of the Group as disclosed in Note 13, Note 14 and Note 24. The interest rates on these borrowings range between 4.50% to 8.0% (2006: 4.57% to 8.0%) per annum.

The revolving project loan is secured by the deed of assignment of contract proceeds and receivables in relation to the project at an interest rate of 7% per annum.

32. 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:

	2008		2007	
	Transactions RM	Balance outstanding RM	Transactions RM	Balance outstanding RM
Group				
Related parties:				
Accounting fee received from Metronic Corporation Sdn. Bhd. ("MCSB") +	**–**	**–**	60,000	–
Rental received from MCSB +	**12,000**	**–**	12,000	–
Accounting fee received from ITG Worldwide (M) Sdn. Bhd. ##	**–**	**–**	24,000	–
Purchases from ITG Worldwide (M) Sdn. Bhd. ##	**1,423,904**	**1,014,171**	1,089,255	463,206
Rental received from ITG Worldwide (M) Sdn. Bhd. ##	**12,000**	**–**	12,000	–
Contract fee payable to Integrated Commerce Sdn. Bhd. *	**–**	**14,024**	–	14,024
Contract and maintenance services receivable from MH Projects Sdn. Bhd. ("MHP") #	**680**	**37,559,119**	10,222,414	52,607,537
Maintenance fee receivable from Integrated Commerce Sdn. Bhd. *	**67,869**	**–**	91,316	–
Subcontractor fee payable to Ledtronics Sdn. Bhd.**	**–**	**16,192**	–	16,192
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	**647,115**	**409,170**	2,908,587	1,061,550
Sale of equipment to Edmund Chuah Choong Eng Huat***	**62,431**	**62,431**	–	–

32. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	2008 Transactions RM	2008 Balance outstanding RM	2007 Transactions RM	2007 Balance outstanding RM
Group (cont'd)				
Associates:				
Contract revenue receivable from Ariantec Sdn. Bhd.	**2,677,393**	**–**	1,297,298	687,298
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd.	**–**	**–**	788,850	32,480
Company				
Subsidiaries:				
Office rental paid	**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 the directors of this company.

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.

*** A director of the Company, Edmund Chuah Choong Eng Huat.

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.

(b) Compensation of key management personnel

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

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Short-term employee benefits	**998,257**	1,125,269	**–**	–
Post-employment benefits:				
Defined contribution plan	**83,328**	107,593	**–**	–
Directors' fees	**74,000**	72,000	**110,000**	108,000
	1,155,585	1,304,862	**110,000**	108,000
Included in the total key management personnel are:				
Directors' remuneration (Note 9 (b))	**1,155,585**	954,568	**110,000**	108,000

33. CAPITAL COMMITMENTS

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	**11,642,255**	13,715,814	**11,642,255**	13,715,814

34. CONTINGENT LIABILITIES

	Group 2008 RM	Group 2007 RM
(a) Secured:		
Performance and financial guarantees issued by banks to third parties	**10,255,744**	10,846,189
Standby Letter of Credit given to licensed banks for credit facilities granted to foreign subsidiaries	**2,717,349**	1,821,875
	12,973,093	12,668,064

The above bank guarantees and letter of credit are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed bank of RM7,070,407 (2007: 6,306,827) of the Company as disclosed in Note 13 and Note 24.

	Group 2008 RM	Group 2007 RM
(b) Unsecured:		
Litigation, claims and legal suits	**2,251,617**	2,655,167

(i) On 15 November 2005, the Company being the first defendant was served with a Writ of Summons by Lee Bee Leng & two others ("Plaintiffs") claiming for among others general damages of RM500,000 and special damages of RM403,550 due to the death of the first Plaintiff’s husband and second and third Plaintiff’s father. The maximum exposure to liabilities of the Company and University Teknologi Petronas (“UTP”) (second Defendant) is therefore estimated at RM903,550. The dependency claim of RM403,550 has been dismissed, thus reducing the Company and UTP’s exposure to RM500,000. An application has been filed to strike-off the outstanding claim which has yet to be heard.

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

(ii) On 9 January 2007, the Company through its solicitors, received a Writ of Summons and Statement of Claim issued by CWorks Systems Berhad ("CWorks") claiming an outstanding amount of RM1,751,617 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.

CWorks has filed an application for Summary Judgment which is pending hearing.

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 above are not probable and therefore no provision has been made as at 31 December 2008.

	Company 2008 RM	Company 2007 RM
(c) Unsecured:		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**64,900,000**	51,328,125

35. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

(a) On 6 January 2009, the Company acquired the following shares from Goldis Berhad ("Goldis") for a total cash consideration of RM1,200,000:

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

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

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

(b) On 5 January 2009, the Company increased its investment capital in Metronic Vietnam Company Limited ("MVCL") by US$25,001 (equivalent to RM87,419) to US$50,000.

(c) On 2 February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with Lai An County Water Utility Board ("Water Utility Board"), Anhui Province in the People's Republic of China for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the People's Republic of China via a wholly owned foreign subsidiary known as Anhui Lai An Metronic Water Supply Company Limited which is incorporated on 11 March 2009. The total investment capital was agreed at US Dollar ("US$) 3,350,000.

(d) On 6 March 2009, the Company entered into a Conditional Share Sale Agreement ("SSA") with Global Soft (MSC) Bhd ("GS") for the disposal by Metronic Global Berhad ("Metronic") of 1,000,000 ordinary shares of RM1.00 each representing 25.27% equity interest in Ariantec Sdn Bhd for a total disposal consideration of RM9.666 million to be fully satisfied via the issuance of 96,657,750 new ordinary shares of RM0.10 each for GS shares at an issue price of RM0.10 per share. The disposal is subject to the conditions precedent as set out in the SSA being fulfilled and complied with. Upon completion of the disposal, Ariantec Sdn Bhd will cease to be an associate of the Company, in which the Company will become one of the substantial shareholders in GS, holding approximately 17.02% equity interest in GS.

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. The Group has no substantial long term interest-bearing assets as at 31 December 2008. The investments in financial assets are mainly short term in nature and 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 rate 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.

36. FINANCIAL INSTRUMENTS (cont'd)

(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. The currencies giving rise to this risk are primarily the 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 2008	**1,817,831**	**92,140**	**134,595**	**111,340**	**2,155,906**
At 31 December 2007	945,936	26,085	134,594	43,517	1,150,132

	United State Dollar RM	Indian Rupee RM	Saudi Riyal RM	Vietnam Dong RM	Total RM
Trade receivables					
At 31 December 2008	**355,267**	**–**	**–**	**–**	**355,267**
At 31 December 2007	4,392,901	281,842	526,675	–	5,201,418

(e) Credit risk

Credit risks 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 related party and certain group of debtors of RM39,124,152 (2007: RM54,172,570) as disclosed in Note 22(a).

36. FINANCIAL INSTRUMENTS (cont'd)

(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 2008:		
Financial Assets		
Amount due from subsidiaries	18,209,117	#

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, People's Republic of China, United Arab Emirates and the Kingdom of Saudi Arabia. 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.

37. SEGMENTAL REPORTING (cont'd)

(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.

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 2008				
Revenue				
Sales to external customers	38,990,485	12,671,490	–	51,661,975
Inter-segment sales	68,586	–	(68,586)	–
Total Revenue	39,059,071	12,671,490	(68,586)	51,661,975
Results				
Segment result	(3,467,243)	(6,388,172)		(9,855,415)
Share of profit of associates	1,664,654	927,039		2,591,693
Finance cost	(674,805)	(27,956)		(702,761)
Loss before tax				(7,966,483)
Income tax expense				656,572
Net loss for the year				(7,309,911)
Assets				
Segment assets	134,748,004	10,636,782	(25,650,512)	119,734,274
Investment in associates	21,514,409	–	6,402,706	27,917,115
				147,651,389
Liabilities				
Segment liabilities	84,868,800	12,271,032	(25,419,012)	71,720,820
Other segment information				
Capital expenditure	511,667	167,834		679,501
Depreciation of property, plant and equipment	449,292	164,783		614,075
Depreciation of investment properties	5,267	–		5,267
Amortisation of intangible assets	975,658	–		975,658
Other significant non-cash expenses				
Provision for doubtful debts (net)	1,218,789	2,023,574		3,242,363
Provision for defect liabilities	973,689	–		973,689
Inventories written off	91,832	2,112,794		2,204,626

37. SEGMENTAL REPORTING (cont'd)

Geographical segments (cont'd)

	Malaysia RM	Overseas RM	Elimination RM	Total RM
31 December 2007				
Revenue				
Sales to external customers	42,709,018	10,076,317	(90,500)	52,694,835
Inter-segment sales	113,314	444,084	(557,398)	–
Total Revenue	42,822,332	10,520,401	(647,898)	52,694,835
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 of property, plant and equipment	480,415	129,677	–	610,092
Depreciation of investment properties	5,267	–		5,267
Amortisation of intangible assets	816,181	–	–	816,181
Other significant non-cash expenses				
Provision for doubtful debts (net)	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 (cont'd)

Business segment

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

	Revenue	
	2008	**2007**
	RM	**RM**
Engineering	**49,205,519**	52,391,844
ICT support services	**2,456,456**	302,991
	51,661,975	52,694,835

	Assets	
	2008	**2007**
	RM	**RM**
Engineering	**138,968,206**	152,889,317
ICT support services	**8,683,183**	3,226,532
	147,651,389	156,115,849

	Capital expenditure	
	2008	**2007**
	RM	**RM**
Engineering	**226,540**	289,714
ICT support services	**452,961**	326,202
	679,501	615,916

38. RESTATEMENT OF COMPARATIVES

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated to reflect appropriately the nature of the transactions and to conform with the current year's presentation:

	As previously reported RM	**Reclassification RM**	**As restated RM**
Revenue	55,214,737	(2,519,902)	52,694,835
Cost of sales	(42,499,108)	2,519,902	(39,979,206)

list of properties

as at 31 December 2008

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 31.12.2008 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-detached office cum factory	23,838	25,112	17 November 2000	8 years/ Freehold	2,827	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	8 years/ Freehold	2,404	12 April 2004
Lot 1888, College Heights Garden Resort Nilai, Seremban	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	150	31 December 2008
Unit no. 3F-47, 3rd Floor Lot 1, JB Water Front City Jalan Tun Sri Lanang 80000 Johor Bahru Johor	Shop lot for investment purposes	N/A	475	23 February 2001	8 years/ Leasehold for 99 years expiring on 4 December 2095	95	31 December 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	12 years/ Freehold	144	31 December 2008
Metronic Microsystem (Beijing) Company Limited, PRC No 18, Level 8 Top Fine International Centre Dong San Huan Middle Road Chao Yang District Beijing, PRC	Office	N/A	7,540 (700.53 square metres)	28 November 2003	7 years/ Leasehold for 50 years expiring on 5 February 2052	4,485	15 March 2005

analysis of

shareholdings

as at 30 April 2009

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) ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	321	7.392	16,163	0.002
100 - 1,000	71	1.635	37,290	0.005
1,001 -10,000	1,210	27.867	8,599,410	1.354
10,001 - 100,000	2,214	50.990	80,832,835	12.731
100,001 - 31,745,344 (*)	522	12.022	260,041,043	40.957
31,745,345 AND ABOVE (**)	4	0.092	285,380,162	44.948
Total	**4,342**	**100.00**	**634,906,903**	**100.00**

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

(II) ANALYSIS OF EQUITY STRUCTURE

		No. of Shareholders		No. of Shares		%	
No	**Category of Shareholders**	**Malaysian**	**Foreigner**	**Malaysian**	**Foreigner**	**Malaysian**	**Foreigner**
1	Individual	3,623	42	456,909,594	3,415,277	71.964	0.537
2	Body Corporate						
	a) Banks/finance companies	8	0	1,093,230	0	0.172	0.000
	b) Investment trusts/ foundation/ charities	2	0	7,840,014	0	1.234	0.000
	c) Industrial and commercial companies	19	2	11,463,556	126,000	1.805	0.019
3	Nominees	629	17	74,022,207	80,037,025	11.658	12.606
	Total	**4,281**	**61**	**551,328,601**	**83,578,302**	**86.833**	**13.162**

(III) 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares 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	LIEW CHIAP HONG	36,021,897	5.673
5	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR NEWTRON COMPANY LIMITED (PB)	26,391,308	4.156
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	7,658,014	1.206
9	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR DELAWARE HEIGHTS CORPORATION (PB)	7,440,071	1.171
10	PHILIP A/L K.O KUNJAPPY	5,800,285	0.913
11	CHAN LAY SING	5,000,000	0.787
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SUPER LEAP SDN BHD (PB)	4,671,614	0.735
13	PROMOSI UNGGUL SDN BHD	4,414,800	0.695
14	KAMARUZZAMAN BIN SHARIFF	3,714,285	0.585
15	MD WIRA DANI BIN ABDUL DAIM	3,714,285	0.585

(III) 30 LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
16	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YEW BENG (REM 188)	3,522,800	0.554
17	GENTING PERWIRA SDN BHD	3,164,285	0.498
18	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BARCLAYS BANK PLC, SINGAPORE (WITH MGMT MY RES)	2,059,000	0.324
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANNABELLE WONG SU CHING (E-KPG)	1,981,600	0.312
20	TAN CHING CHEO	1,857,142	0.292
21	LAU KHENG TONG	1,756,500	0.276
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GILBERT WONG U-BING	1,649,000	0.259
23	GAN YEN LING	1,625,500	0.256
24	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG SINGAPORE FOR OLIVETREE ASSETS INC.	1,500,000	0.236
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ERIC WONG U-JIN (E-KPG)	1,485,900	0.234
26	LEE CHONG YEOW	1,395,000	0.219
27	GAN WEE PENG	1,350,085	0.212
28	TAN MENG SENG	1,312,142	0.206
29	YEOH ENG HUA	1,300,000	0.204
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GUAN SWEE LEONG (PB)	1,287,000	0.202

Summary
Total no of holders : 30
Total holdings : 410,822,798
Total percentage (%) : 64.705

(IV) 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	7.54	1,034	1	#
Zonemax Holdings Limited (BVI)	41,891,308	6.60	–		–

Negligible

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

(V) 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	7.54	1,034	1	#
Lim Tzeh Foong	–	–	–	–	–
Datuk Subhi bin Hj Dziyauddin	–	–	–	–	–
Amirudin bin Mohd Baria	–	–	–	–	–
Edmund Chuah Choong Eng Huat	185,714	0.03	558,999	2	0.09

Negligible

Note
1. Deemed interest 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 Companies Act, 1965 (shareholding held through his spouse)

statement accompanying
the notice of the sixth annual general meeting

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

(i) Mr. Lim Tzeh Foong

(ii) Dato' Abd Gani bin Yusof

(iii) Datuk Subhi bin Hj Dziyauddin

iv) Mr. Liew Chiap Hong

Further details of profile of Directors are set out in pages 10 to 13 of the Annual Report while their securities holdings are set out in page 90 of the Annual Report.

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

A total of five Board meetings were held during the financial year ended 31 December 2008. 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	5/5
Dr. Ng Tek Che	5/5
Liew Chiap Hong	5/5
Lim Tzeh Foong	2/2
Datuk Subhi bin Hj Dziyauddin	4/5
Amirudin bin Mohd Baria	4/5
Edmund Chuah Choong Eng Huat	3/5
Gu Ying	0/5

3. DATE, TIME AND PLACE OF MEETING:-

Type of meeting	:	Sixth (6th) Annual General Meeting
Date	:	Tuesday 30 June 2009
Time	:	9.00 am
Place	:	Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan

notice of
annual general meeting

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) Annual General Meeting of Metronic Global Berhad will be held at Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 June 2009 at 9.00 am.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect the following Director retiring in accordance with Article 79 of the Company's Articles of Association and who being eligible, has offered himself for re-election:
   i) Mr. Lim Tzeh Foong **Resolution 2**
3. To re-elect the following Directors retiring in accordance with Articles 86 of the Company's Article of Association and who being eligible have offered themselves for re-election:
   i) Dato' Abd Gani bin Yusof **Resolution 3**
   ii) Datuk Subhi bin Dziyauddin **Resolution 4**
   iii) Mr. Liew Chiap Hong **Resolution 5**
4. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2008. **Resolution 6**
5. To re-appoint Messrs Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 7**

As Special Business:-

To consider and if thought fit, 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 authorised 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 the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." **Resolution 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 23 June 2008 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 Related Party Transaction of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 8 June 2009 ("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 transactions 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, or

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 the earliest;

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." **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 (LS0008402)
SHEILA WINSTON PAYNE (LS0009002)
Company Secretaries

Selangor Darul Ehsan
8 June 2009

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 authorised 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 authorised in writing, or if the appointer is a corporation either under seal or under the hand of an official or attorney duly authorised.
6. The instrument appointing the proxy must be deposited at the Registered Office of the Company at No.4, Tingkat 2, Jalan 3/27F, Desa Setapak, Wangsa Maju, 53300 Kuala Lumpur 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 8 June 2009, 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.

Proxy Form

METRONIC

Metronic Global Berhad

(632068-V)

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 Sixth (6th) Annual General Meeting of the Company to be held at Metronic Global Berhad Office, No.2, Jalan Astaka U8/83, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 June 2009 at 9.00am and or at any adjournment thereof.

No.	Resolution	For	Against
	Ordinary Business		
1	To receive and adopt the Audited Financial Statements and Reports for the year ended 31 December 2008		
2	Re-election of Mr Lim Tzeh Foong as Director		
3	Re-election of Dato' Abd Gani bin Yusof as Director		
4	Re-election of Datuk Subhi bin Dziyauddin as Director		
5.	Re-election of Mr Liew Chiap Hong as Director		
6.	To approve the payment of Directors' Fees		
7	Re-appointment of Auditors		
	Special Business		
8.	Authority to Issue Shares 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 (Proposed Shareholders' Mandate)		

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.

NO. OF SHARES HELD

....

Signature / Common Seal Date

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 Sec 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 No.4, Tingkat 2, Jalan 3/27F, Desa Setapak, Wangsa Maju, 53300 Kuala Lumpur 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, this 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

Metronic Global Berhad

(632068-V)

No. 4, Tingkat 2, Jalan 3/27F

Desa Setapak, Wangsa Maju

53300 Kuala Lumpur

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Metronic Global Berhad

(632068-V)
No. 2 Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong,
40150 Shah Alam, Selangor Darul Ehsan, Malaysia.
Tel : 603-7847 2111 Fax : 603-7847 5111
email : mesb@metronic-group.com

Certificate No : 403813

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Celebrating Malaysia's
Enterprising Spirit

www.metronic-group.com