METRONIC

Metronic Global Berhad

(632068-V)

ANNUAL REPORT 2012

OPTIMIZING SUCCESS

CONTENTS

METRONIC
Metronic Global Berhad
(632068-V)

OUR VISION

To be an internationally recognized 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 skill that enhance and complement our own.
- **To continually improve** the effectiveness of the quality management system.
- **To maximize value** of our stakeholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ling Yew Kong
Executive Chairman

Dato' Dr. Chin Yew Sin
Managing Director

Tan Kian Hong
Executive Director

Dato' Mazlin bin Md Junid
Independent Non-Executive Director

Khoo Siang Hsi @ Khoo Chen Nan
Independent Non-Executive Director

Ng Wee Peng
Independent Non-Executive Director

Lew Cheong Teck
Independent Non-Executive Director

AUDIT COMMITTEE

Khoo Siang Hsi @ Khoo Chen Nan
Chairman

Ng Wee Peng
Member

Lew Cheong Teck
Member

NOMINATION COMMITTEE

Ng Wee Peng
Chairman

Khoo Siang Hsi @ Khoo Chen Nan
Member

Lew Cheong Teck
Member

REMUNERATION COMMITTEE

Lew Cheong Teck
Chairman

Khoo Siang Hsi @ Khoo Chen Nan
Member

Ng Wee Peng
Member

COMPANY SECRETARIES

Jenny Wong Chew Boey (MAICSA 7006120)
Wong Yuet Chyn (MAICSA 7047163)

REGISTRAR

Shareworks Sdn Bhd
10-1, Jalan Sri Hartamas 8
Sri Hartamas, 50450 Kuala Lumpur
Tel : 03 – 6201 1120
Fax : 03 – 6201 3121

REGISTERED OFFICE

Shareworks Sdn Bhd
10-1, Jalan Sri Hartamas 8
Sri Hartamas, 50450 Kuala Lumpur
Tel : 03 – 6201 1120
Fax : 03 – 6201 3121

AUDITORS

CHI-LLTC (AF 1114)
Chartered Accountants
Suite 18.07, 18th Floor, Wisma Zelan,
No.1, Jalan Tasik Permaisuri 2,
Bandar Tun Razak, 56000 Kuala Lumpur
Tel : 03 – 9173 8180
Fax : 03 – 9173 1989

SOLICITORS

Messrs Muru & Partners
Messrs Liow & Co.

BANKERS

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock name: Metronic
Stock code: 0043

CORPORATE WEBSITE

www.metronic-group.com

CORPORATE PROFILE

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 (now known as Main Market) of Bursa Securities on 12 July 2007.

The subsidiaries of the Company specialise in system integration of intelligent building management systems ("IBMS") and integrated security management systems ("ISMS"), e-project management ("e-PM") of mechanical and electrical service and provision of online administration service for the healthcare sector. Fundamental to this success is the mission of the Company and its subsidiaries ("the Group" or "MGB Group") to continually exceed customers' increasing expectations. The 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

The origin of the MGB Group can be traced back to August 1984 when Metronic Engineering Sdn Bhd ("MESB") was incorporated to provide building automation service specializing in the field of IBMS and ISMS. MESB subsequently expanded its business activities to include e-PM of mechanical and electrical service 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.

During the early years, MESB played a pivotal role in nation building by providing state-of-the-art e-project management and system integration services for hospitals, office building, 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, solution and services, mainly in the areas of "intelligent buildings".

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 optimization 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.

Over the years, the Group has strengthened its position in the value chain towards becoming an ICMS provider. By converging newer technologies with the JBCM™ (Java Based Control & Monitoring Software) 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.

In a move to diversify and complement its existing core business, in 2008, the Group via Metronic iCares Sdn Bhd ("Micares") ventured into Third Party Administration and Managed Care Organisation businesses for the healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet. In the year 2013, the Group has disposed off the ICT Support Services Division. The disposal of Micares provides an opportunity for the Group to realize its investment at an attractive return, generate funds for working capital and investment in other potential businesses and repayment of borrowings. The rationale for disposal is also due to the financial and business prospect is uncertain with the recent consolidation within the insurance industry and the various mergers and acquisition of some of Micare's major clients which may affect Micare's business.

For geographical expansion, MGB Group has embarked on a series of acquisition strategies over the last few years to complement the local market. As at today, the Group has reached China, India, Vietnam and Middle East countries.

PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

Presently, MGB Group, through its subsidiaries, specializes 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; and
- The efficiency of the system as it saves time and travel costs

The integration of the building/industrial automation system security system has become 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 solution. 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 communicated 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 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 as follows:
- Building Automation System ("BAS")
- Java Based Control & Monitoring Software ("JBCM")
- Smart Home

(ii) ISMS Division

ISMS provides a high level security solution by integrating all the individual security systems 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 Engineering Services Division

The Group is involved in the provision of engineering services specializing in the field of Mechanical and Electrical ("M&E")

The Group is continually developing the Building M&E knowledge and expertise within the Group as part of the division's objectives to be sufficiently prepared to be a competitive Design and Construct M&E Contractor.

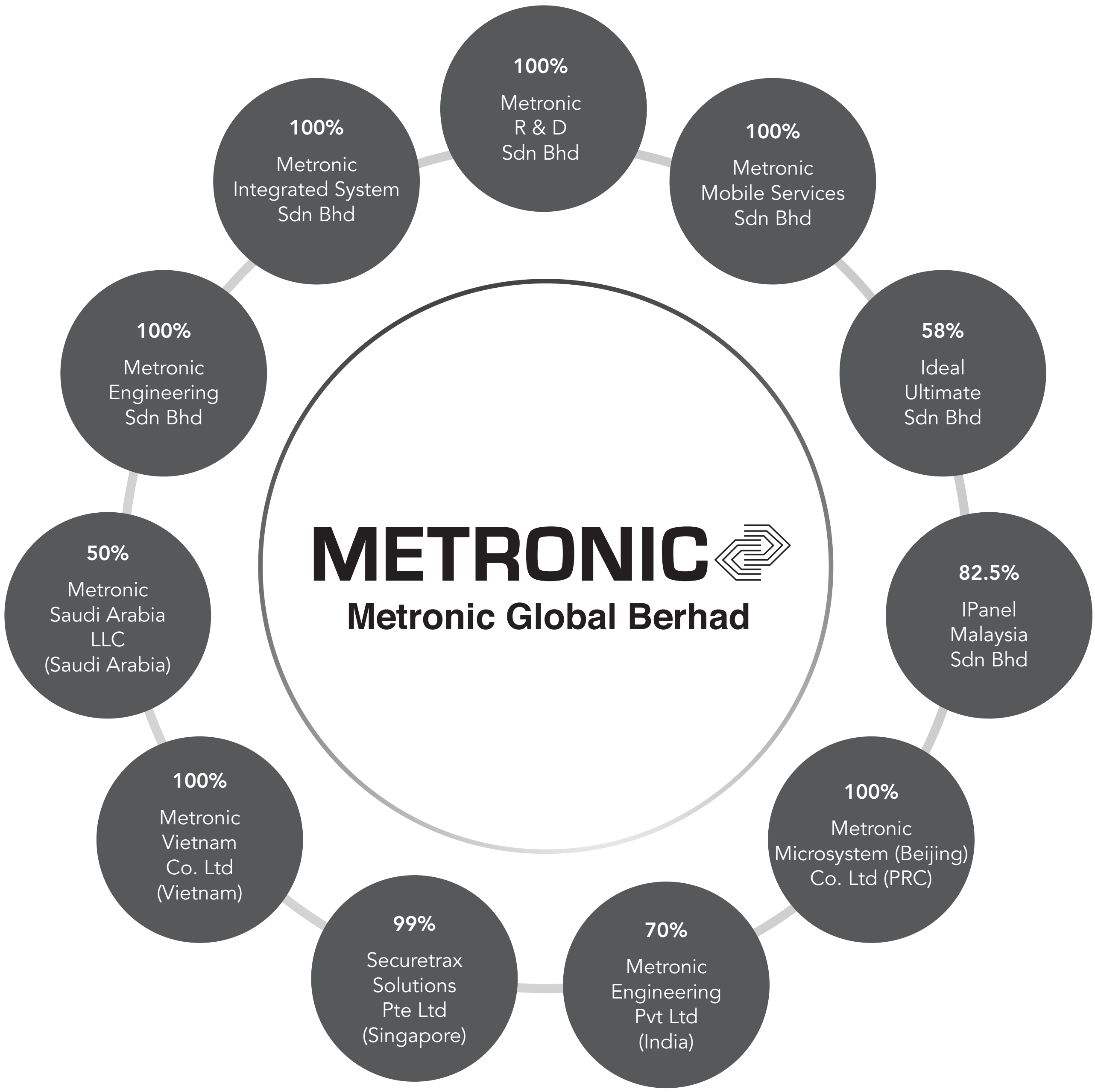
(iv) Industrial Automation Division

The Group, through its strategic alliance with a Japanese partner is involved in the provision of industrial automation specializing in Automated Storage and Retrieval System ("ASRS"). The logistic solution offered by the Group focuses on efficient storage of goods while preserving their quality and facilitate smooth retrieval as and when needed. Some of the solutions offered 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

The Group through its subsidiary, Micares acts as a TPA and MCO for the healthcare sector via the connectivity applications and 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, iCare commercial companies and its employees with an easy one-stop claims and data processing and management system. The iCare System runs on an Application Service Providerconcept whereby transaction fees and headcount fees will be levied accordingly. The entire end-to-end system is developed in. NET technology, with three ("3") main users, namely, insurance companies/corporate, the company's administrator and healthcare service providers.

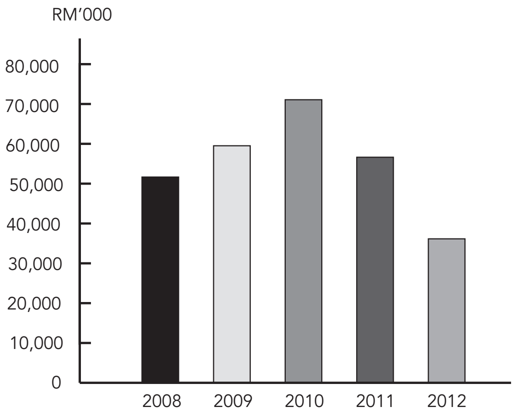
CORPORATE STRUCTURE
AS AT 21 MAY 2013



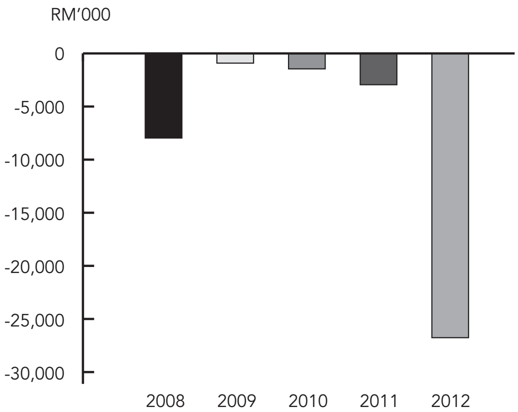
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Revenue	51,662	59,513	71,069	56,634	**36,148**
Profit/(loss) before tax	(7,966)	(915)	(1,454)	(2,946)	**(26,761)**
Profit/(loss) for the year	(7,310)	(1,539)	(1,898)	(4,164)	**(25,343)**
Profit/(loss) attributable to equity holders of the Company	(7,260)	(2,086)	(2,909)	(5,061)	**(25,894)**
Shareholders' funds	75,203	72,840	53,107	47,206	**34,515**
Net earnings/(loss) per share (sen)	(1.14)	(0.33)	(0.46)	(0.80)	**(4.08)**
Net assets per share attributable to equity holders of the Company (sen)	11.84	11.47	8.36	7.44	**5.44**

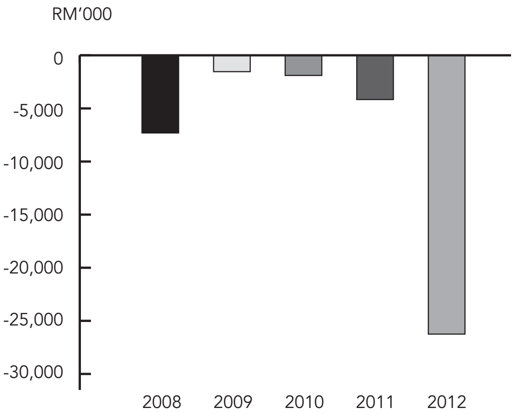
REVENUE



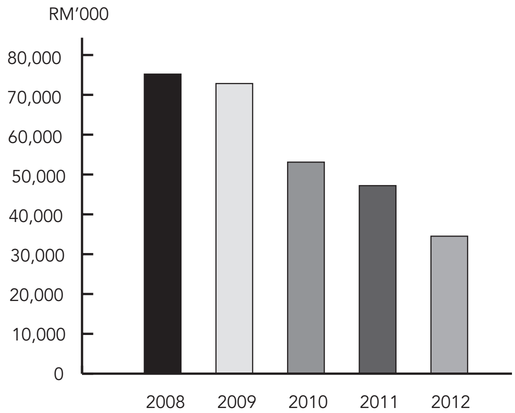
LOSS BEFORE TAX



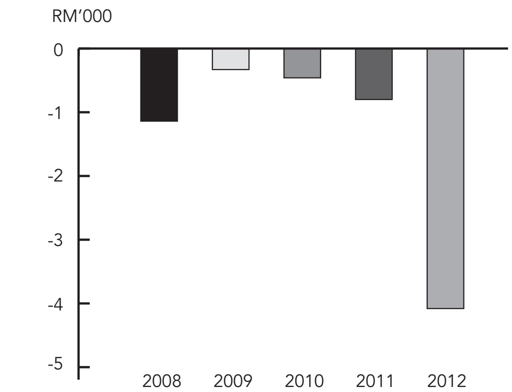
LOSS FOR THE YEAR



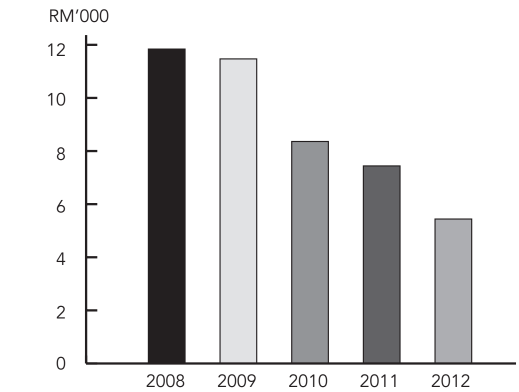
SHAREHOLDERS' FUNDS



LOSS PER SHARE



NET ASSETS PER SHARE



PROFILE OF DIRECTORS

LING YEW KONG
Executive Chairman

Ling Yew Kong, a Malaysian, aged 47, was appointed as Non-Independent and Non-Executive Director of Metronic Global Bhd ("MGB" or "the Company") on 17 December 2012 and redesignated to Executive Director on 21 December 2012 and finally to Executive Chairman on 18 January 2013. He has a Degree in Commerce and majored in Accounting from Murdoch University, Western Australia. He is also a member of the Australian Society of Certified Practising Accountants.

He is currently the Executive Chairman and Managing Director of Firstlink Investments Corporation Limited, an unlisted public company in Singapore. He is also the Chairman of Moya Asia Limited, a public company listed on the Catalist Board of the Singapore Exchange.

On 13 September 2012, he was appointed as the Chief Executive Officer and Executive Director of China Sky Chemical Fibre Co. Ltd., a public company listed on the Main Board of the Singapore Exchange. As Chairman and CEO, Mr Ling is primarily responsible for providing strategic guidance and charting new directions for each of these companies.

He started his career in 1991 as an Auditor with Ernst & Young. He held various positions as Finance Manager of Keppel Securities Pte Ltd, Vice President (Equity Investments) of Deutsche Morgan Grenfell & Partners Securities Pte Ltd. and Head of Sales for corporate and private equities in Socgen Crosby Securities Pte Ltd before joining IPCO International Ltd in 2001 as Executive Director and Chief Operating Officer. At IPCO, Mr Ling was responsible for the operations of infrastructure projects managing the 240 kilometers toll road in Guangzhou, PRC.

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 and has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 104.

DATO' DR. CHIN YEW SIN
Managing Director

Dato' Dr. Chin Yew Sin, a Malaysian, aged 53, was appointed as Non-Independent and Non-Executive Director of the Company on 17 December 2012 and redesignated to Non-Independent and Non-Executive Deputy Chairman on 21 December 2012 and finally to Managing Director on 7 March 2013. He graduated from Universiti Malaya, Malaysia with a Bachelor of Jurisprudence Degree and, among others, Universiti Teknologi Malaysia with a Bachelor of Engineering (Hons) Mechanical Engineering Degree, University of Bolton, UK with an Accountancy Degree; Heriot-Watt University, Scotland with a Master of Buiness Administration Degree; University of Newcastle, Australia with a Master of Marketing; Southern Cross University, Australia with a Doctorate in Business Administration.

He is the Deputy Secretary General cum Chairman of the Strategies Study Committee, The Federation of Chinese Association Malaysia (Huazong). He is a Director of Southern University College Malaysia. He is an Academic Director of Oasis College and an Advisor of American Biographical Institute's Distinguished Research Board of Advisors.

He is a Visiting Professor of Zhongshan University, Guangzhou, Guangdong Province, China; Zhongnan University of Finance, Economics, Politics and Law, Wuhan, Hubei Province, China; International Business University of Beijing, Beijing, China as well as School of Economics and Business Management, LEPISI, Tangerang, Indonesia.

He serves as a member of the Advisory and Corruption Prevention Panel, appointed by YAB Dato' Sri Najib bin Tun Razak on 25 February 2011. He is a Member of the Films Appeal Committee, Films Control, Censorship and Enforcement Department, Ministry of Home Affairs, Malaysia appointed since August 2006 by Home Affairs Minister, Dato' Seri Hishamuddin bin Tun Husein. He has been a Member of The Specal Committee of Public Services Commission Malaysia, appointed since 12 September 2012 by the Chairman of Public services Commission, Tan Sri Mahmood bin Adam. He is an Honarary Colonel of RELA, appointed since May 2012 by Dato' Gen. Mustafa bin Hj Ibrahim. He was also an External Question Writer for Securities Industry Development Corporation (SIDC), an education and training arm of the Securities Commission (SC).

He does not hold any other directorships in other public listed companies. 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 and has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 104.

TAN KIAN HONG
Executive Director

Mr Tan Kian Hong, a Malaysian, aged 28, was appointed as Executive Director of the Company on 28 February 2013. He completed his middle education at the Sri Garden International School. In 1998, he jump started his career path by joining the family's business as an Assistant Sales Manager with CJH Distribution Sdn Bhd, a company involved in integrated building security systems (IBSS), electronic computerized calculators and machines. Then from 2003, he served as a Assistant General Sales Manager in another segment of the family's business, Naturelink Sdn Bhd which was involved in the manufacturing and distribution of electronic home appliances.

In 2005, he led a venture into the manufacturing and distribution of fertilizers in Malaysia and then expanded the export market to China and subsequently to Myanmar, Vietnam, Thailand and Indonesia. As at today, Naturelink Sdn Bhd is the distributor of several famous brand names in the fertilizer industry such as Great German, Jatech, Naturelink that are both popular and trustworthy brand-names in the agricultural sector. He is the Managing Director of NatureLink Sdn Bhd.

He does not hold any other directorships in other public listed companies. He does not have any conflict of interest with the Company and has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 104. His brother, Mr Tan Lian Hong is one of the substantial shareholder of the Company.

DATO' MAZLIN BIN MD JUNID
Independent Non-Executive Director

Dato' Mazlin bin Md Junid, a Malaysian, aged 51, was appointed to the Board on 21 May 2013. Dato' Mazlin holds a Bachelor of Science in Mechanical Engineering from Brighton Polytechnic, Sussex, England and a Master in Business Administration from Cranfield University, England. He has extensive experience in corporate management, business and finance after serving Sime Darby Berhad and Aspac Executive Search Sdn. Bhd. as the Group Manager and the Managing Director respectively. Dato' Mazlin is the Executive Vice Chairman, President and Chief Executive Officer of Daya Materials Berhad. Dato' Mazlin was formerly an Independent Non-Executive Director of Sapura Industrial Berhad and Sapura Technology Berhad. He was also formerly an Independent Non-Executive Director and Chairman of the Audit Committee of MTD Infraperdana Berhad. He is also a director of several private limited companies which he owns.

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 and has not been convicted for any offences in the past 10 years. He does not hold any shares in the Company.

KHOO SIANG HSI
@ KHOO CHEN NAN
Independent Non-Executive Director

Khoo Siang Hsi @ Khoo Chen Nan, a Malaysian, aged 47, was appointed as Independent Non-Executive Director of the Company on 8 February 2013. He is the Chairman of Audit Committee and member of Nomination Committee and Remuneration Committee. He graduated from University of Malaya with Bachelor of Accountancy (Hons). He is also a member of Malaysian Institute of Accountants. Mr Khoo has experience in working with an international audit firm and the investment division of a public listed company. He currently sits as the Independent Director of ES Ceramics Technology Bhd and LBI Capital 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 and has not been convicted for any offences in the past 10 years. He does not hold any shares in the Company.

NG WEE PENG
Independent Non-Executive Director

Ng Wee Peng, a Malaysian, aged 39, was appointed as Independent Non-Executive Director of the Company on 21 December 2012. He is also a member of Audit Committee and Remuneration Committee. He also sits as Chairman of the Nomination Committee. He obtained a Bachelor of Science (Hons) Degree, majoring in Computer Science from University of Warwick, United Kingdom and is a Sun Certified Programmer for Java 2 Platform. He is the Operation Director and Co-founder of Agile Matrix Solutions Sdn. Bhd., an IT services company based in Malaysia and Singapore. Prior to this, he was a Senior Consultant at C-Bridge Internet Solutions USA. Before joining C-Bridge, he worked as a Systems Engineer (Tech Lead) in EDS and was involved in a large IT project for major oil industry clients (Conoco, Statoil and Petronas). He was also the Lead Development Consultant specialising in web applications development in the above project. He has strong background in software system life cycle, object-oriented application and development methodology.

He does not hold any other directorships in other public listed companies. 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 and has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 104.

LEW CHEONG TECK
Independent Non-Executive Director

Lew Cheong Teck, a Malaysian, aged 46, was appointed as Independent Non-Executive Director of the Company on 19 April 2013. He is also a member of the Audit Committee and Nomination Committee. He also sits as Chairman of the Remuneration Committee.

Mr. Lew has over 23 years of management and technical experience in IT outsourcing, Systems Integration and consulting services. He is the Managing Director and Co-Founder of Agile Matrix Solutions Sdn Bhd, and previously the CEO of Xsys Pte Ltd, both of which are software and IT solutions provider in Malaysia and Singapore respectively. He currently holds the Managing Director position in Agile Matrix Solutions in Malaysia. Mr. Lew has extensive experience in the Oil & Gas, Insurance and Education industries. He has played major role in the development of the Oil Accounting System that is currently used by oil refineries worldwide including Shell, Petronas and Exxon. While he was working with a major US consulting firm in Singapore/Malaysia in 1992 to 2000, he was the key member of the team that proposed and won several multi-million dollars consulting deals with major oil company in this region.

He does not hold any other directorships in other public listed companies. 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 and has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed in page 104.

STATEMENT OF BOARD OF DIRECTORS

Dear Shareholders,

The Board of Directors of Metronic Global Berhad ("MGB" or "the Company") is pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2012.

The current Board of Directors of the Company was appointed on 17 December 2012 following the resignation of the previous Board of Directors. The new Board has conducted an internal review on the following core businesses:

1. system integration of intelligent building management system;
2. integrated security management systems;
3. e-project management of mechanical and electrical service; and
4. provision of online administration service for the healthcare sector.

The Board is of the opinion that the Company should continue to grow and strengthen all of the above core businesses except for the provision of online administration service for the healthcare sector which has been divested in April 2013.

FINANCIAL REVIEW

The Group recorded revenue of RM46.6 million for the current financial year ended 31 December 2012, representing a decrease of RM10 million or 17.7% lower than the revenue of RM56.6million for the previous financial year. The unfavourable performance was mainly due to lower revenue generated from engineering segment as a result of lesser work order and several of its major projects have been completed or towards completion.

The Group's loss before taxation increased to RM25.4million for the current financial year ended 31 December 2012 against the loss before taxation of RM2.9milllion for the previous financial year. This is mainly due to provision of impairment loss of RM25.6million on the long outstanding debt due from MH Projects Sdn. Bhd.

Engineering Division

Engineering Division remains the major contributor which accounted for 77% of the Group's revenue. Revenue from the Engineering reduced from RM46.6million to RM36.1million, representing a decrease of 22.5%.

ICT Support Services Division

ICT Support Services Division reported a slight increase in revenue of RM0.5million to RM10.5million. This is recorded under its 51% subsidiary company, Metronic iCares Sdn Bhd ("Micares").

Subsequent to year end, on the 24 April 2013, the Group has disposed off the ICT Support Services Division with a total consideration of RM10.2million. The net asset value of Micare based on its audited financial statements as at 31 December 2012 is RM7.8million.The original cost of investment of Micare is RM1.3million. The disposal represents a premium of RM2.4million or 2.5 times over the audited net asset value of Micares as at 31 December 2012.

The disposal of Micares provides an opportunity for the Group to realize its investment at an attractive return, generate funds for working capital and investment in other potential businesses and repayment of borrowings.

The rationale for disposal is also due to the financial and business prospect is uncertain with the recent consolidation within the insurance industry and the various mergers and acquisition of some of Micare's major clients which may affect Micare's business.

The Group intends to shift the Group's focus back to its core business, i.e. the Engineering division which is involved in system integration specializing 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. The majority of the proceeds from the Proposed Disposal are earmarked for the working capital of projects from Engineering Division.

PROSPECTS

The Economic Report 2012/2013 has projected that the Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5% - 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. With the potential development investment of approximately RM80 billion in the Iskandar region in Johor Bahru, MGB is also likely to benefit from it. The Company is currently in discussion with two major M&E facility management companies to secure more projects.

APPRECIATION AND ACKNOWLEDGEMENT

The current Board and management are committed to ensure high standards of corporate governance.

We would like to express our appreciation to all employees for their hard work and dedicated service during the year. Finally, we wish to thank our business associates and shareholders for their continued support.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Metronic Global Berhad ("MGB" or "the Company") is committed to ensure that the highest standards of corporate governance are observed and practiced consistently 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 Group.

The Board is committed to observing and maintaining high standards of corporate governance, integrity and accountability and enhance shareholder value. The Board adheres closely to the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and other applicable laws, rules and regulations, including the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

A. THE BOARD OF DIRECTORS

1. Board Duties and Responsibilities

The Group is led by an experienced Board and maintains full and effective control over the Group's activities. It guides the 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.

Board meetings are held at quarterly intervals with additional meetings held whenever necessary. At each quarterly meeting, the Board deliberated and approved the Group's business plan, including financial performance to-date.

The Group has formalized ethical standards through a Code of Conduct as a framework which is applicable to all employees and Directors of the Group. The framework provides work environment where honesty, integrity, mutual respect, fairness and accountability prevail.

The Board ensures that the Group's strategies promote sustainability. The Group practices a system of rewards based on the philosophy of pay for performance. Employees are rewarded based on productivity and contribution towards achievement of the Group's immediate and long-term objectives.

2. Composition of the Board

The Board of MGB consists of seven (7) members, of whom four (4) members of the Board are Independent Non-Executive Directors. This is in compliance with Paragraph15.02 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 comprises professionals and entrepreneurs drawn from varied backgrounds bringing in considerable knowledge, skills and expertise to the Group. The Board is assured of a balanced and independent view at all Board deliberations 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 and the Managing 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 Managing Director of the Company since these two positions are held by separate individuals.

The Executive Chairman is not an independent director. The Board comprise a majority of independent directors to ensure balance of power and authority on the Board.

The Board has not established any gender diversity policy. However, the Board do recognises the importance of gender diversity in the Board and will continue to review this to enhance corporate governance practices.

A. THE BOARD OF DIRECTORS (CONT'D)

3. Board Meeting

Board meetings are scheduled at quarterly intervals with additional meetings convened as and when necessary.

During the year under review, 13 Board meetings were held and the details of attendance of each Director are as follows:

	Designation	No. of Meetings Attended
Tan Sri Dato' Kamaruzzaman bin Shariff (resigned on 24 December 2012)	Chairman	12/13
Dato' Abd Gani bin Yusof (resigned on 17 December 2012)	Executive Vice Chairman	11/11
Dr. Ng Tek Che (resigned on 6 November 2012)	Group Managing Director	10/10
Liew Chiap Hong (resigned on 28 December 2012)	Executive Director	11/13
Datuk Subhi bin Hj Dziyauddin (retired on 22 June 2012)	Independent Non-Executive Director	2/8
Mohd Afrizan bin Husain (resigned on 31 December 2012)	Independent Non-Executive Director	11/13
Chow Kee Kan @ Chow Tuck Kwan (resigned on 28 November 2012)	Independent Non-Executive Director	11/13
Mohd Kamal bin Omar (resigned on 17 December 2012)	Independent Non-Executive	12/13
Ling Yew Kong (appointed on 17 December 2012)	Executive Chairman	1/11
Liew Chee How (appointed 17 December 2012) (resigned on 28 February 2013)	Executive Director	1/1
Dato' Dr. Chin Yew Sin (appointed on 17 December 2012)	Managing Director	0/1
Ng Wee Peng (appointed on 17 December 2012)	Independent Non-Executive Director	1/1
Khoo Siang Hsi @ Khoo Chen Nan (appointed on 8 February 2013)	Independent Non-Executive Director	N/A
Lew Cheong Teck (appointed on 19 April 2013)	Independent Non-Executive Director	N/A
Dato' Mazlin bin Md Junid (appointed on 21 May 2013)	Independent Non-Executive Director	N/A

The Board is provided with an 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 reports for the Board's review and approval. These documents are issued in advance to enable the Board to seek clarification from the management to enble effective discharge of its duties. Senior management and advisors 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 is in the process of formalizing the Board Charter.

The Board have full access to the advice 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.

A. THE BOARD OF DIRECTORS (CONT'D)

4. Board Committees

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.

During the year up to the present, the Committee comprised of the following Independent Non-Executive Directors. The meetings attended in 2012 are as follows:

	Designation	No. of Meetings Attended
Mohd Afrizan bin Husain (resigned on 31 December 2012)	Chairman, Independent Non-Executive Director	8/8
Mohd Kamal bin Omar (resigned on 17 December 2012)	Member, Independent Non-Executive Director	8/8
Chow Kee Kan @ Chow Tuck Kwan (resigned on 28 November 2012)	Member, Independent Non-Executive Director	8/8
Datuk Subhi bin Hj Dziyauddin (resigned on 22 June 2012)	Member, Independent Non-Executive Director	3/12
Khoo Siang Hsi @ Khoo Chen Nan (appointed on 8 February 2013)	Chairman, Independent Non-Executive Director	N/A
Ng Wee Peng (appointed on 17 December 2012)	Member, Independent Non-Executive Director	N/A
Lew Cheong Teck (appointed on 19 April 2013)	Member, Independent Non-Executive Director	N/A

The Audit Committee will review and monitor the suitability and independence of external auditors. The independence of external auditors can be impaired by the provision of non-audit services to the Group.

Details of the functions and activities of the committee are set out on pages 21 to 24 of the Annual Report.

(ii) Nomination Committee

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

The Committee comprised 3 members, all of whom are Independent Non-Executive Directors. The members are:

	Designation
Dr. Ng Tek Che (resigned 6 November 2012)	Group Managing Director
Mohd Afrizan bin Husain (resigned 31 December 2012)	Independent Non-Executive Director
Mohd Kamal bin Omar (resigned 17 December 2012)	Independent Non-Executive Director
Chow Kee Kan (resigned 28 November 2012)	Independent Non-Executive Director
Ng Wee Peng	Chairman, Independent Non-Executive Director
Khoo Siang Hsi @ Khoo Chen Nan	Member, Independent Non-Executive Director
Lew Cheong Teck	Member, Independent Non-Executive Director

The Nomination Committee develop, maintain and review the criteria to be used in the recruitment process and annual assessment of director. In assessing the suitability of candidates consideration is given to the competencies, commitment, contribution and performance.

A. THE BOARD OF DIRECTORS (CONT'D)

4. Board Committees (cont'd)

(iii) Remuneration Committee

The Remuneration Committee was established on 11 June 2004 with the responsibility of reviewing and recommending to the Board the remuneration package of the Executive Directors of the Group. The main objective is to ensure the level of remuneration is attractive enough to attract and retain the Executive Directors to run the Group successfully, subject to corporate and individual performance.

The Remuneration Committee is entrusted with the role of determining and recommending suitable policies in respect of remuneration packages for Non-Executive Director.

Presently the Committee comprised of 3 members, all of whom are Independent Non-Executive Directors. The members are:

	Designation
Chow Kee Kan @ Chow Tuck Kwan (resigned on 28 Nov 2012)	Chairman, Independent Non-Executive Director
Mohd Afrizan bin Husain (resigned on 31 December 2012)	Independent Non-Executive Director
Mohd Kamal bin Omar (resigned on 17 December 2012)	Independent Non-Executive Director
Liew Chiap Hong (resigned on 28 December 2012)	Executive Director
Lew Cheong Teck	Chairman, Independent Non-Executive Director
Khoo Siang Hsi @ Khoo Chen Nan	Member, Independent Non-Executive Director
Ng Wee Peng	Member, Independent Non-Executive Director

(iv) Risk Management Committee

The 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 balance 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, Dato' Dr. Chin Yew Sin. The Managing Director, together with the Executive Director, Mr Tan Kian Hong are actively involved in the day-to-day operations of business and have regular discussions with the senior management.

The Board has engaged the services of Grant Thornton Consulting Sdn Bhd ("GTC") to carry out the internal audit function. The internal audit function is to provide an independent assurance to the Board that the internal controls are operating effectively. The responsibilities of the Internal Auditors are to assist the Audit Committee in discharging its responsibilities to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable law and regulations.

Details of the functions and activities of the Committee are set out on pages 25 to 26 of the Annual Report.

5. Foster Commitment

The Directors are committed to devote sufficient time to carry out their responsibilities. Directors should notify the Chairman before accepting any new directorship. The notification should include an indication of time that will be spent on the new appointment.

The Independent Non-Executive Directors are required to declare to the Board details of their significant business and interest of which the said Director would be required to abstain from decision voting should the subject resolution involve any chances of conflict of interest with his existing business and interest, direct or indirectly.

The Executive Directors are however required to declare to the Board of all the other significant business and interests and to indicate broadly the time spent on such commitments, other than the time spent on the Company.

All the Directors are required to advise the Board of any subsequent changes on such commitments declared.

A. THE BOARD OF DIRECTORS (CONT'D)

5. Foster Commitment (cont'd)

All the newly appointed Directors have successfully completed the Mandatory Accreditation Programme (MAP) in compliance with the Main Market Listing Requirements of Bursa Securities save and except for Mr Lew Cheong Teck who will be attending the MAP in June 2013. 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 training attended by the directors in 2012 is as follows:-

Member	Topic
Chow Kee Kan @ Chow Tuck Kwan	Business Continuity Management –The Way Forward and Mediation As An Effective Dispute Resolution Mechanism

6. Retirement and Re-election

In accordance with the Company's Articles of Association ('Articles'), all Directors are subject to re-election by shareholders at the next Annual General Meeting 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 of or over the age of seventy years are required to submit themselves for re-appointment annually in accordance to Section 129 (6) of the Companies Act 1965.

7. Reinforce Independence

The Board undertake an assessment of its Independent Directors annually. The Board is in compliance with MCCG 2012 that the tenure of Independent Directors do not exceed a cumulative term of nine years. Upon completion of nine years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years.

B. DIRECTORS' REMUNERATION

The aggregate remuneration of the Directors for the financial year under review, distinguishing between Executive and Non-Executive Directors is set out below:

(in RM)	Executive Directors	Non-Executive Directors	Total
Fees *	6,000	150,675	156,675
Salaries and other emoluments	665,724	–	665,724

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

The number of Directors of the Company, whose remuneration bands fall within the following successive bands of RM50,000, is as follow:

	Executive Directors	Non-Executive Directors
Below RM50,000	–	5
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	1	–
RM200,001 – RM250,000	1	–
RM250,001 – RM300,000	1	–

C. INVESTOR AND SHAREHOLDER RELATION

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 to seek more information on 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 explanation to all shareholders' queries.

The Board encourage poll voting to effect substantive resolutions and make announcement of the detailed results showing the number of votes cast for and against each resolution. The Board also encourage the use of electronic means for poll voting.

The Board ensures that the Company has appropriate corporate disclosure policies and procedures. The main forms of corporate disclosure are as follows:-

i. Periodical disclosure, in the form of quarterly and annual reporting of financial results
ii. Specific disclosure, as and when required, of administrative and corporate developments

Apart from the above and the mandatory announcement to Bursa Securities of the Company's financial results and corporate developments, the Company maintains a corporate website (www.metronic-group.com) to allow public access to the Group's information, business activities and latest developments, as well as to provide feedback. Investors and the public who wish to contact the Group on any enquiry comment or proposal can channel them through e-mail or contact the following person:-

Name	Contact no.	E-mail
Dato' Dr. Chin Yew Sin	03-7847 2111	cys@metronic-group.com

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board ensured that the financial statements have been prepared in accordance to the 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 judgments and estimates made are reasonable and prudent, and appropriate accounting policies have been adopted and applied consistently.

The Board takes due care and responsibility for presenting a balanced and understandable assessment of 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, adequacy and compliance to the appropriate accounting standards.

2. Risk Management and Internal Control

The Board establish that the internal audit function reports directly to the Audit Committee.

The Statement of Risk Management and Internal Control set out on pages 25 to 26 of the Annual Report provides an overview of the state of internal control within the Group.

3. Directors' Responsibility Statement for the Financial Statements

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.

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 Group and their results and cash flows for that year.

D. ACCOUNTABILITY AND AUDIT (CONT'D)

3. <u>Directors' Responsibility Statement for the Financial Statements</u> (cont'd)

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

a) use appropriate accounting policies and apply them consistently;
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 ensuring that proper accounting records are kept, and disclosed with reasonable accuracy at any time, the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors are satisfied that in preparing the financial statements of the Company and Group for the year ended 31 December 2012, the Company and Group have used the appropriate accounting policies and applied them consistently. 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 2012.

Non-audit Fees

The amount of non-audit fees payable to the external auditors by the Group in respect of the financial year ended 31 December 2011 is RM8,000.

Material Contracts

There is no material contacts entered into which involved the interest of directors and/or major shareholders since the end of the previous financial year.

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, and has continually engaged 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 International Organisation for Standardisation (ISO). Internal audit is being carried out periodically to ensure continuous adherence to all safety measures is being observed.

(ii) Skill Development

The Group strives to motivate and retain the best employees through continuous training by sending them to attend courses and seminars relevant to their job functions to improve their knowledge and skills. During the year under review, the Group utilized Human Resource Development Fund for selective training to enhance employees technical and soft skills. It is the Group's aspiration that employees of the Group become respected and responsible citizens of society as well as leaders in their respective fields of specialisation.

(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 provided opportunities for the employees from different departments and levels to interact, integrate and develop teamwork through sport activities and company trips.

(iv) 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. Staff and clients are encouraged to fully maximise the benefits of IOT (e.g. email instant messaging etc) for communication. The Group has also implemented recycling of used paper and promoting good practices on energy saving by switching off unused equipment and lightings via Intelligent Building Management System.

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 Company in discharging their duties and responsibilities.

The Audit Committee meets regularly with senior management and the internal and external 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 2012 up to present are as follows:-

Members	Designation
Mohd Afrizan bin Husain *(appointed on 28 June 2011, resigned on 31 December 2012)*	Chairman, Independent Non-Executive Director
Chow Kee Kan @ Chow Tuck Kwan *(resigned on 28 November 2012)*	Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin *(retired on 22 June 2012)*	Independent Non-Executive Director
Mohd Kamal bin Omar *(resigned on 17 December 2012)*	Independent Non-Executive Director
Khoo Siang Hsi @ Khoo Chen Nan *(appointed on 8 February 2013)*	Chairman, Independent Non-Executive Director
Ng Wee Peng *(appointed on 17 December 2012)*	Member, Independent Non-Executive Director
Lew Cheong Teck *(appointed on 19 April 2013)*	Member, 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 February 2011.

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.

B. TERMS OF REFERENCE (CONT'D)

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 external legal and other independent professional advice to assist in executing its duties.

4) Meeting

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 meetings upon invitation by the Committee.

The Company Secretary is the Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of 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.

The Audit Committee met 8 times during the financial year. The Audit Committee met once with the External auditor without the presence of management during the financial year ended 31 December 2012.

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 systems, including enterprise risk 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 reports on any major defalcations, frauds and thefts.

B. TERMS OF REFERENCE (CONT'D)

5) Duties and Responsibilities (cont'd)

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 policies;
- significant or unusual events
- significant adjustments from audit; and
- compliance with accounting standards and other legal requirements

xi) Review any related party transactions and conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raise questions on management's 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 2012, the Audit Committee convened 8 meetings. Details of the attendance of the Committee members are as follows:

Members	No. of meetings attended
Mohd Afrizan bin Husain *(appointed on 28 June 2011, resigned on 31 December 2012)*	8/8
Chow Kee Kan @ Chow Tuck Kwan *(resigned on 28 November 2012)*	8/8
Datuk Subhi bin Hj Dziyauddin *(retired on 22 June 2012)*	1/5
Mohd Kamal bin Omar *(resigned on 17 December 2012)*	8/8
Khoo Siang Hsi @ Khoo Chen Nan *(appointed on 8 February 2013)*	N/A
Ng Wee Peng *(appointed on 17 December 2012)*	N/A
Lew Cheong Teck *(appointed on 19 April 2013)*	N/A

The meetings were appropriately held and sufficient notice issued to the members.

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 2011 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 statutory 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.

C. SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES (CONT'D)

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 auditors 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 Boards approval.

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

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

xi) Reviewed the Audit Committee Report, Statement on Risk Management and 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 Groups risk management policy.

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

The total costs incurred for the internal audit function was RM20,000 for the financial year 2012. The internal audit function is outsourced to Messrs Grant Thornton Consulting Sdn Bhd, whom is appointed on 12 June 2012.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to provide the following Statement on Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Statement on Internal Control below outlines the nature and scope of internal controls of Metronic Global Berhad and its subsidiaries ("the Group") during the financial year ended 31 December 2012.

1. Board's Responsibility

The Board recognizes the importance of sound internal controls and risk management practice for good corporate governance. The Board affirms its overall responsibility for the Groups's system of internal control ("the System") which includes establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity.

Nevertheless, the Board recognizes that the Group's System is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives in view of the limitations inherent in any internal control system. Accordingly, the System can only provide reasonable but not absolute assurance against material misstatement and loss.

2. Risk Management Framework

The Board confirms that there is an on-going process of reviewing, identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation is an integral part of the Group's business and operating processes. The daily running of the business is entrusted to the Group Managing Director ("GMD'), Executive Director ("ED") and their management team. Under the purview of the GMD and ED, the respective Head of each operating subsidiary are responsible for managing the risks of the operating subsidiary, and the Head of Departments with each operating subsidiary are responsible for managing the risks of their respective department as part of their day-to-day duties.

A formal risk management framework is in place to ensure that structured and consistent approaches and methods are practiced in the on-going process of identifying, assessing, managing and monitoring the principal risks that affect the attainment of the Group's business objectives and goals across the Group. The Board is supported by the Risk Management Committee ("RMC") headed by the GMD, and comprises members from amongst the senior management. The RMC 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.

3. Internal Audit Function

The internal audit function is 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**

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

i) There is an organization 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 Groups policies,

iii) The Audit Committee comprises three (3) Independent Non-Executive Directors. The Audit Committee was established with a view to assist the Board in the effective discharge of its fiduciary responsibility in respect of the Group's Internal Control Systems, risk management and financial reporting.

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

v) There are 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

DIRECTORS' REPORT

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 2012.

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.

The principal activities of the subsidiaries are disclosed in more details in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the year from continuing operations	(26,631,237)	(1,854,717)
Profit for the year from asset held for sale	1,287,983	–
Loss for the year	(25,343,254)	(1,854,717)
Owners of the parent	(25,893,765)	(1,854,717)
Non-controlling interests	550,511	–
	(25,343,254)	(1,854,717)

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.

ISSUE OF SHARES AND DEBENTURES

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

DIVIDENDS

There were no dividends paid by the Company since 31 December 2011.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2012.

DIRECTORS

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

Ling Yew Kong	(appointed on 17 December 2012)
Dato' Dr. Chin Yew Sin	(appointed on 17 December 2012)
Tan Kian Hong	(appointed on 8 February 2013)
Ng Wee Peng	(appointed on 17 December 2012)
Khoo Siang Hsi @ Khoo Chen Nan	(appointed on 8 February 2013)
Lew Cheong Teck	(appointed on 19 April 2013)
Liew Chee How	(appointed on 17 December 2012 and resigned on 28 February 2013)
Tan Sri Dato' Kamaruzzaman bin Shariff	(resigned on 24 December 2012)
Dato' Abd. Gani bin Yusof	(resigned on 17 December 2012)
Datuk Subhi bin Hj Dziyauddin	(resigned on 22 June 2012)
Dr Ng Tek Che	(resigned on 6 November 2012)
Liew Chiap Hong	(resigned on 28 December 2012)
Mohd Kamal bin Omar	(resigned on 17 December 2012)
Chow Kee Kan @ Chow Tuck Kwan	(resigned on 28 November 2012)
Mohd Afrizan bin Husain	(resigned on 31 December 2012)

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 8(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 31 to the financial statements.

DIRECTORS' INTERESTS

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

	Ordinary shares of RM0.10 each			
	As at 1.1.2012/ Date of appointment	During the year Bought	Sold	As at 31.12.2012
Direct Interest:				
Ling Yew Kong	4,355,000	–	–	4,355,000
Dato' Dr. Chin Yew Sin	1,000	–	–	1,000
Ng Wee Peng	600,000	–	–	600,000
Liew Chee How	33,056,500	–	–	33,056,500
Indirect interest:				
Ling Yew Kong	29,000,000	2,000,000	–	31,000,000

None of the other directors in office at 31 December 2012 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for 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 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.

(g) The Board would like to draw attention to the following matters:

(i) In Note 17 to the financial statements, included in the assets available for sale, the Company's investment in Unilink Development Limited ("investee") was diluted as a result of new shares issued from the exercise of option to convert the outstanding loan by Zonemax Holdings Limited in the investee company.

Last year, subsequent to the dilution, the Group and Company's investment were reclassified to available for sale financial assets and the net carrying amount of investment as at 31 December 2012 amounted to RM15,792,501 and RM14,138,945 respectively.

Since the dilution, the Company has no significant influence over the investee company and not able to account for its results under the equity method and no further financial reports are available thereon. The Directors has intention to dispose off the investment.

OTHER STATUTORY INFORMATION (CONT'D)

(g) The Board would like to draw attention to the following matters: (Cont'd)

(ii) In Note 21(A) to the financial statements, included in the trade receivables of the Group as at 31 December 2012 were long outstanding receivables due from a former related party and certain group of receivables totalling RM46,565,420 (2011:RM46,565,420). These debts are due for sub-contract work completed for the former related party who is the main contractor and for certain debtors on certain federal public sector projects for the Government of Malaysia ("GOM"). The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired in the last financial year and that there are no further defects to be made good. During the last financial year, the Group had also entered into a Deed of Assignment ("DOA") with the former related party wherein the former related party has irrevocably assigned to the Group absolutely all its rights, interests, benefits and title of the claims of these receivables from the GOM. The Group, in the quarterly financial reporting ended 30 September 2012 has made a full provision for impairment of RM44,450,738 due from a related party and certain group of receivables above.

(iii) In Note 25 to the financial statements, included in the assets and liabilities associated with assets classified as held for sale, the Company's on 5 October 2012 and 15 February 2013, announced that the Company had entered into a Sale and Purchase Agreement and the amendment agreement with Zuellig Pharma Speciality Solutions Holdings Pte Ltd (" the Purchaser" or "ZPSSH") to dispose of its entire equity interest of 51% in Metronic iCares Sdn. Bhd. ("MiCare") to the Purchaser for total consideration of RM 10,199,700.00. The subsidiary was classified as discontinued operation or classified as held for sale as at 31 December 2012. The Company's intention to dispose Micare due to strategic decision to place greater focus on the Group core operations and the proposed disposal was duly passed at the Extraordinary General Meeting held on 17 April 2013.

AUDITORS

The auditors, Messrs CHI-LLTC (formerly known as LLTC) have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors,

Dato' Dr. Chin Yew Sin **Tan Kian Hong**

Kuala Lumpur

Dated: 19 April 2013

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Dr. Chin Yew Sin and Tan Kian Hong, 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 35 to 101 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2012 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 38 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed in accordance with a resolution of the directors,

Dato' Dr. Chin Yew Sin **Tan Kian Hong**

Kuala Lumpur

Dated: 19 April 2013

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Dr. Chin Yew Sin, 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 35 to 101 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, Dato' Dr. Chin Yew Sin
at Kuala Lumpur, Wilayah Persekutuan
on 19 April 2013

Dato' Dr. Chin Yew Sin

Before me,

Commissioner for Oaths

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 statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 12 to 115.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity'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 entity'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.

Basis for Qualified Opinion

We discuss below the extent of the matters that give rise to the qualified opinion in respect of the financial statements for the year ended 31 December 2012 that remained unresolved, in so far they impact both corresponding as well as current year figures provided in the current financial statements.

The Company's investment in Unilink Development Limited ("Unilink") was diluted and ceased to be an associate in the last financial year. Since then the Company has no significant influence nor control over the management and reclassified the investment in Unilink as assets held for sale under Note 17.

The Group and the Company's net carrying amount of this investment as at 31 December 2012 amounted to RM 15,792,501 and RM 14,138,945 respectively.

The Unilink's financial statements and other documentary evidence, are not available for our audit and there are no other audit procedures that we can rely on to ascertain the appropriateness of the net carrying amount of the investment, and any further impairment is required for the said investment.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF METRONIC GLOBAL BERHAD (INCORPORATED IN MALAYSIA)

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 financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

(d) The auditors' reports on the financial statements 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

The supplementary information set out in Note 38 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

CHI-LLTC
(Formerly known as LLTC)
AF: 1114
Chartered Accountants

Chong Sai Sin
Partner - 2398/06/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Dated: 19 April 2013

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Continued operations					
Revenue	4	**36,148,472**	56,633,612	**–**	–
Cost of sales	5	**(25,178,153)**	(30,746,941)	**–**	–
Gross profit		**10,970,319**	25,886,671	**–**	–
Other income	6	**7,411,024**	1,768,119	**7,226,880**	6,661
Administration expenses		**(8,187,724)**	(5,155,276)	**(5,358,373)**	(573,659)
Other operating expenses		**(36,498,947)**	(25,029,341)	**(3,680,523)**	(5,157,415)
Loss from operations		**(26,305,328)**	(2,529,827)	**(1,812,016)**	(5,724,413)
Finance costs	7	**(456,130)**	(416,584)	**(42,701)**	–
Share of profit of an associate		**–**	–	**–**	–
Loss before taxation	8	**(26,761,458)**	(2,946,411)	**(1,854,717)**	(5,724,413)
Income tax expenses	9	**130,221**	(1,217,474)	**–**	–
Loss for the year					
- continued operations		**(26,631,237)**	(4,163,885)	**(1,854,717)**	(5,724,413)
Profit from assets held for sale, net of tax	25	**1,287,983**	–	**–**	–
Net loss for the period		**(25,343,254)**	(4,163,885)	**(1,854,717)**	(5,724,413)
Other comprehensive income:					
Available-for-sale financial assets					
- fair value changes	17	**3,524,409**	(1,983,419)	**3,524,409**	(1,449,866)
- transfer to profit or loss	8(a)	**(3,893,554)**	966,578	**(3,693,091)**	966,578
- transfer to profit or loss upon disposal		**194,047**	178,039	**168,682**	–
Revaluation reserve					
- fair value changes		**12,613,007**	–	**–**	–
Foreign currency translation		**763,984**	(98)	**–**	–
Other comprehensive (loss)/income for the year, net of tax		**13,201,893**	(838,900)	**–**	(483,288)
Total comprehensive loss for the year, net of tax		**(12,141,361)**	(5,002,785)	**(1,854,717)**	(6,207,701)
Loss attributable to:					
Owners of the parent		**(25,893,765)**	(5,061,489)	**(1,854,717)**	(5,724,413)
Non-controlling interests		**550,511**	897,604	**–**	–
		(25,343,254)	(4,163,885)	**(1,854,717)**	(5,724,413)
Total comprehensive loss attributable to:					
Owners of the parent		**(12,691,872)**	(5,900,389)	**(1,854,717)**	(6,207,701)
Non-controlling interests		**550,511**	897,604	**–**	–
		(12,141,361)	(5,002,785)	**(1,854,717)**	(6,207,701)
Loss per share (sen):					
Basic/diluted earnings/(loss)	10	(4.08)	(0.80)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012	Group 31.12.2011	1.1.2011
		RM	RM	RM
Assets				
Non-current assets				
Property, plant and equipment	12	**22,575,402**	10,555,548	10,698,635
Investment properties	13	**510,423**	393,415	398,682
Intangible assets	14	**4,877**	248,160	833,299
Investment in subsidiaries	15	**–**	–	–
Investment in associate		**–**	–	17,321,972
Available-for-sale financial assets	17	**19,976,859**	20,022,140	6,213,058
Other investments	18	**94,000**	94,000	94,000
Deferred tax assets	19	**8,079,318**	8,609,167	8,490,526
		51,240,879	39,922,430	44,050,172
Current assets				
Inventories	20	**1,299,421**	1,155,569	2,384,257
Trade receivables	21	**19,729,267**	87,266,836	91,008,046
Other receivables	21	**3,937,049**	4,816,531	4,327,090
Short term deposits	23	**6,100,923**	7,769,106	8,179,679
Cash and bank balances	24	**2,580,715**	9,145,757	5,084,730
		33,647,375	110,153,799	110,983,802
Assets of disposal company/non-current assets classifiedas held for sale	25	**49,490,666**	–	–
		83,138,041	110,153,799	110,983,802
Total assets		**134,378,920**	150,076,229	155,033,974

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2012

	Note	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	26	**63,490,690**	63,490,690	63,490,690
Revaluation reserve	27	**12,613,007**	–	–
Foreign currency translation reserve	27	**849,206**	85,222	85,320
Available-for-sale reserve	27	**–**	175,098	1,013,900
Accumulated losses	28	**(42,438,292)**	(16,544,527)	(11,483,038)
		34,514,611	47,206,483	53,106,872
Non-controlling interests		**3,952,719**	3,275,460	2,234,215
Total equity		**38,467,330**	50,481,943	55,341,087
Non-current liabilities				
Loans and borrowings	29	**38,125**	173,821	293,392
		38,125	173,821	293,392
Current liabilities				
Trade payables	30	**35,710,264**	72,717,478	71,535,020
Other payables	30	**14,174,395**	19,826,923	16,699,034
Loans and borrowings	29	**3,815,549**	5,731,454	10,875,441
Provision for taxation		**191,125**	1,144,610	290,000
		53,891,333	99,420,465	99,399,495
Liabilities associated with assets classified as held for sale	25	**41,982,132**	–	–
Total liabilities		**95,911,590**	99,594,286	99,692,887
Total equity and liabilities		**134,378,920**	150,076,229	155,033,974

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Investment in subsidiaries	15	**37,249,830**	27,443,762	27,244,430
Investment in associate		**–**	–	15,668,416
Investment in joint venture	16	**220,850**	220,850	220,850
Available-for-sale financial assets	17	**18,323,303**	18,005,255	5,316,176
Other investments	18	**–**	–	–
		55,793,983	45,669,867	48,449,872
Current assets				
Other receivables	21	**3,362,664**	11,717,164	12,352,065
Cash and bank balances	24	**12,845**	167,063	957,296
		3,375,509	11,884,227	13,309,361
Total assets		**59,169,492**	57,554,094	61,759,233
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	26	**63,490,690**	63,490,690	63,490,690
Available-for-sale reserve	27	**–**	–	483,288
Accumulated losses	28	**(12,585,467)**	(10,730,750)	(5,006,337)
		50,905,223	52,759,940	58,967,641
Non-controlling interests		**–**	–	–
Total equity		**50,905,223**	52,759,940	58,967,641
Non-current liabilities		**–**	–	–
Current liabilities				
Other payables	30	**8,264,269**	4,794,154	2,791,592
		8,264,269	4,794,154	2,791,592
Total liabilities		**8,264,269**	4,794,154	2,791,592
Total equity and liabilities		**59,169,492**	57,554,094	61,759,233

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the parent							
	Non-Distributable							
	Share capital RM	Revaluation reserve RM	Foreign currency translation reserve RM	Available-for-sale reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
Group								
At 1 January 2011	63,490,690	–	85,320	1,013,900	(11,483,038)	53,106,872	2,234,215	55,341,087
Total comprehensive (loss)/income	–	–	(98)	(838,802)	(5,061,489)	(5,900,389)	897,604	(5,002,785)
Transaction with owners:								
Capital contribution by non-controlling interests	–	–	–	–	–	–	143,641	143,641
At 31 December 2011	63,490,690	–	85,222	175,098	(16,544,527)	47,206,483	3,275,460	50,481,943
At 1 January 2012	63,490,690	–	85,222	175,098	(16,544,527)	47,206,483	3,275,460	50,481,943
Total comprehensive (loss)/income	–	12,613,007	763,984	(175,098)	(25,893,765)	(12,691,872)	550,511	(12,141,361)
Transaction with owners:								
Capital contribution by non-controlling interests	–	–	–	–	–	–	126,748	126,748
At 31 December 2012	63,490,690	12,613,007	849,206	–	(42,438,292)	34,514,611	3,952,719	38,467,330

		Non–Distributable		
	Share capital RM	Available-for-sale reserve RM	Accumulated losses RM	Total equity RM
Company				
At 1 January 2011	63,490,690	483,288	(5,006,337)	58,967,641
Total comprehensive loss	–	(483,288)	(5,724,413)	(6,207,701)
At 31 December 2011	63,490,690	–	(10,730,750)	52,759,940
At 1 January 2012	63,490,690	–	(10,730,750)	52,759,940
Total comprehensive loss	–	–	(1,854,717)	(1,854,717)
At 31 December 2012	63,490,690	–	(12,585,467)	50,905,223

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Loss before taxation from:				
Continued Operations	**(26,761,458)**	(2,946,411)	**(1,854,717)**	(5,724,413)
Asset held for sale	**1,287,983**	–	**–**	–
Adjustments for:				
Loss/(gain) on disposal of property, plant and equipment (Note 8(a))	**2,253**	(285)	**–**	–
Gain on disposal of available- for-sale financial assets (Note 8(a))	**(3,524,409)**	(398,426)	**(3,524,409)**	–
Loss on disposal of an associate (Note 8(a))	**–**	1,529,471	**–**	1,529,471
Unrealised foreign exchange (gain)/loss (Note 8(a))	**159,924**	(164,667)	**–**	–
Depreciation of property, plant and equipment (Note 8(a))	**558,190**	618,386	**–**	–
Write-off of property, plant and equipment	**–**	–	**–**	–
Depreciation of investment properties (Note 8(a))	**4,592**	5,267	**–**	–
Amortisation of intangible assets (Note 8(a))	**164,976**	597,201	**–**	–
Impairment loss on trade receivables (Note 8(a))	**26,086,477**	2,192,035	**–**	–
Provision for compensation loss of contract cost	**–**	2,487,237	**–**	2,487,237
Write back of impairment loss for on trade receivables (Note 8(a))	**–**	(1,116,597)	**–**	–
Bad debt written off (Note 8(a))	**–**	44,708	**–**	44,708
Impairment loss/(reversal of impairment loss) on available-for-sale financial assets (Note 8(a))	**(3,893,554)**	966,578	**(3,693,091)**	966,578
Impairment loss of investment in subsidiaries (Note 8(a))	**–**	–	**3,491,210**	–
Provision for defect liabilities (Note 8(a))	**616,851**	849,026	**–**	–
Write-down of inventories (Note 8(a))	**128,495**	452,860	**–**	12,253
Share of (profit)/loss of associate	**–**	–	**–**	–
Finance costs (Note 7)	**470,263**	416,584	**42,701**	–
Interest income (Note 6)	**(205,457)**	(240,022)	**(9,380)**	(6,661)
Operating profit/(loss) before working capital changes	**(4,904,874)**	5,292,945	**(5,547,686)**	(690,827)
Changes in working capital:				
Inventories	**(272,347)**	775,828	**–**	–
Receivables	**8,752,927**	1,282,597	**8,354,500**	577,940
Payables	**(841,930)**	1,823,110	**3,470,115**	(348,567)
Net cash (used in)/generated from operations	**2,733,776**	9,174,480	**6,276,929**	(461,454)
Taxes paid	**(701,953)**	(488,451)	**–**	–
Interests paid	**(470,263)**	(416,584)	**(42,701)**	–
Interests received	**205,457**	240,022	**9,380**	6,661
Net cash (used in)/generated from operating activities	**1,767,017**	8,509,467	**6,243,608**	(454,793)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from investing activities				
Subscription of additional shares in subsidiaries	**–**	–	**(13,297,278)**	(335,440)
Subscription of additional share of available-for-sale financial assets	**(859,932)**	–	**(859,932)**	–
Purchase of property, plant and equipment (Note 12)	**(327,458)**	(136,786)	**–**	–
Purchase of intangible assets (Note 14)	**(121,600)**	(12,062)	**–**	–
Proceeds from disposal/acquisition of prepaid lease payment	**–**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**–**	2,525	**–**	–
Proceeds from disposal of available-for-sale financial assets	**8,274,826**	720,106	**7,759,384**	–
Net cash generted from/(used in) investing activities	**6,965,836**	573,783	**(6,397,826)**	(335,440)
Cash flows from financing activities				
Withdrawal of fixed deposits under lien with licensed banks	**723,589**	318,987	**–**	–
Drawdown of bankers' acceptances	**7,072,840**	7,601,547	**–**	–
Repayment of bankers' acceptances	**(8,421,787)**	(9,508,620)	**–**	–
Drawdown of short term loans	**–**	–	**–**	–
Repayment of short term loans	**–**	(3,339,112)	**–**	–
Repayment of obligation under finance leases	**(54,000)**	(114,745)	**–**	–
Net cash used in financing activities	**(679,358)**	(5,041,943)	**–**	–
Net (decrease)/increase in cash and cash equivalents	**8,053,495**	4,041,307	**(154,218)**	(790,233)
Effects of foreign exchange rate changes	**715,280**	(169,238)	**–**	–
Cash and cash equivalents at beginning of the year	**7,404,122**	3,532,053	**167,063**	957,296
Cash and cash equivalents at end of the year (Note 24)	**16,172,897**	7,404,122	**12,845**	167,063
Cash and cash equivalents at the reporting date comprise the following (Note 24):				
Cash and bank balances	**17,319,792**	9,145,757	**12,845**	167,063
Fixed deposits with licensed banks	**800,000**	689,594	**–**	–
Bank overdrafts (Note 29)	**(1,946,895)**	(2,431,229)	**–**	–
	16,172,897	7,404,122	**12,845**	167,063

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at 10-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480, 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.

The principal activities of the subsidiaries are disclosed in more details in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia

There are no adjustments arising from the transition to MFRSs.

The financial statements, other than for financial instruments, have been prepared on the historical cost basis. Certain financial instruments are carried at fair value in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

The financial statements are presented in Ringgit Malaysia ('RM") and all values are rounded to the nearest thousand (RM'000 or '000), except when otherwise indicated.

2.2 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ('IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company:

Effective for annual periods commencing on or after 1 July 2012	
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Effective for annual periods commencing on or after 1 January 2013	
MFRS 3	Business Combinations
MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits(revised)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective (cont'd)

Effective for annual periods commencing on or after 1 January 2013 (cont'd)

Amendments to MFRS 1	First-time Adoption of MFRS-Government Loans
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 116	Property, Plant and Equipment
Amendments to MFRS 127	Separate Financial Statements
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 132	Financial Instruments : Presentation
Amendments to MFRS 134	Interim Financial Reporting

Effective for annual periods commencing on or after 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities

Effective for annual periods commencing on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in Nov 2009)
	Financial Instruments (IFRS 9 issued by IASB in Oct 2010)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.12(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination represents negative goodwill, which is recognised immediately as income directly in the Statements of Comprehensive Income on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit and loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of monority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss disposal to non-controlling interests is recognised directly in equity.

2.5 Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

2.6 Associates

An Associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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.

The Group's investment in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates.

Goodwill relating to an associate is included in the carrying amount of the investment. 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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 Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses are recognised in the profit or loss.

For incremental interest in associates, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step up.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Associates (cont'd)

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in equity, and is recognised in the Statements of Comprehensive Income.

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

2.7 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, its investment in joint venture 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.

2.8 Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceases become its cost on initial measurement as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

2.9 Foreign currency

(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

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Foreign currency (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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 assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.10 Property, plant and equipment and depreciation

(i) Cost

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment and furniture and fixtures except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, it's cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

(ii) Depreciation

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 or over the remaining leasehold land tenure, whichever is shorter.

Freehold land is not depreciated as it has an infinite life.

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

2.10 Property, plant and equipment and depreciation (cont'd)

(iii) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. A write down is made if the carrying value exceeds the recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.13.

(iv) Gains or Losses on Disposal

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.

(v) Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

2.11 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 2.13. 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 to be carried at fair value.

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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

2.12 Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets (cont'd)

(i) Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within the cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(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 reporting 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.

2.13 Impairment of non-financial assets

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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 group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rate basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the assets is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, the directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets. The Group does not have any financial assets at fair value through profit and loss and held-to-maturity financial assets.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables comprise trade and other receivables, amounts due from related companies and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(ii) Available-for sale financial assets

Available-for-sale financial assists are financial assets that are designated as available for sale or are not classified in any other categories of financial assets. The Group's and the Company's available for sale financial assets comprise investment securities.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial assets is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial assets (cont'd)

(ii) Available-for sale financial assets (cont'd)

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial assets is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivable could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments, excluding deposits pledged for banking facilities, that are readily convertible to known amount of cash and which are subject to an significant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 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 the value of work certified to date to the estimated total contract value.

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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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.

2.18 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 and other direct cost in bringing the equipment to its present location. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

2.19 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive 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 not recognised for future operating losses.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

There is no financial liabilities at fair value through profit or loss in the Group and the Company. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of guarantee. If the debtor fails to make payment relation to financial guarantee contracts when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation. As at the financial year-end date, the financial guarantees provided by the Company to banks are in connection with the banking facilities granted to subsidiaries.

2.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Employee benefits

(i) Short term employee 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.

2.24 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportionated between the finance charges and reduction of the lease liability so as to achieve a consent rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

2.25 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Revenue

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

(i) Contract revenue

Contract revenue is recognised based on the stage of completion method as described in Note 2.17.

(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 using the effective interest method.

2.27 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Income tax (cont'd)

(ii) Deferred tax (cont'd)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.28 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in the period in they are declared.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Segment reporting

For management purpose, the Group is organised into geographical and operating segments based on their activities, products and services which are independently managed by the Divisional Directors responsible for the performance of the respective segments under their charge. The Divisional Directors report directly to the Group's chief operating decision maker who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of available-for-sale financial assets

The Group reviews its available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and the extent to which the fair value of an investment is less than its cost. During the year, the Group and the Company use 30% and 6 months as the triggers for "significant" and "prolonged" respectively for the purpose of assessing impairment.

For the financial year ended 31 December 2012, the amount of impairment loss recognised for available-for-sale financial assets was RM Nil (2011:RM966,578).There is a reversal of impairment loss on available-for-sale financial assets of RM3,524,409 (RMNil in 2011).

(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 reference to the proportion of the value of work certified to date to the estimated total contract value.

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 judgement, the Group evaluates based on past experience and by relying on the work of specialists and status of negotiation with the counterparties.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS(CONT'D)

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

(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 2012 is RM34,413 (2011: RM34,413).

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.

(iii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default of significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristic. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 21.

A former related party and other former trade debtors
The outstanding debts from a related party, as disclosed in Note 21 (A)(i), amounting to RM44,450,738 (2011: RM44,450,738), is over the normal credit period given to customers. Included in this RM44,450,738 is the retention amount of RM10,530,270 (2011: RM10,530,270) which is due upon the expiry of the warranty in last financial year 2011. The Group, in the quarterly financial reporting ended 30 September 2012 has made a full provision for impairment of the outstanding amount due from a related party and certain group of receivable above.

There are also balances due from certain group of debtors of RM2,114,682 (2011: RM2,114,682) which relate to work performed by the Group on a number of the above-mentioned projects, as disclosed in Note 21(A)(ii). Included in this RM2,114,682 is the retention amount of RM519,651 (2011:RM519,651) which is due upon the expiry of the warranty in last financial year.

The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Board of Directors has considered that these amounts are recoverable as the Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired in previous financial year and that there are no further defects to be made good. These debts are due for sub contract work completed for the related party who is the main contractor on certain federal public sector projects for the Government of Malaysia. During the year, the Group has also entered into a Deed of Assignments ("DOA") with the related party wherein the related party has irrevocably assigned to the Group absolutely all its rights, interest, benefits and title of the claims of these receivables from the Government of Malaysia ("GOM").

The Board of Directors has assessed the carrying value of these receivables and based on the discounted cash flows over the expected collection period of a number of years, and has provided for an impairment amount of RM44,450,738 on these debtors. Included in this amount of RM44,450,738 is the impairment related to retention sums of RM10,530,271. The estimated timeframe was solely based on management's estimates. No empirical evidence was available to derive at this estimated timeframe of collection.

Other Retention sums
In respect of certain projects where the Group has performed works as sub-contractors, management has assessed the carrying value of these amount based on the discounted cash flows over the expected collection period of one (1) to three (3) years and has provided an impairment of RM2,939,504. The estimated expected collection timeframe was based on management's past experience.

The Group has no unresolved construction defects in relation to these projects.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

(iii) Impairment of loans and receivables (cont'd)

Other Retention sums

In respect of certain projects where the Group has performed works as sub-contractors, management has assessed the carrying value of these amount based on the discounted cash flows over the expected collection period of one (1) to three (3) years and has provided an impairment of RM2,939,504. The estimated expected collection timeframe was based on management's past experience.

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 reporting 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 5% to 12% 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.

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.

(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 reporting 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. 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.

(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 3 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.

4. REVENUE

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Contract work	**24,129,189**	34,070,935	**–**	–
Maintenance services	**10,078,097**	11,284,320	**–**	–
Sale of equipment	**1,941,186**	1,275,203	**–**	–
Administration and consultancy services	**10,452,526**	10,003,154	**–**	–
Dividend income from an associate	**–**	–	**–**	–
	46,600,998	56,633,612	**–**	–
Less: Revenue from asset held for sale (Note 25)	**(10,452,526)**	–	**–**	–
Revenue from continuing operations	**36,148,472**	56,633,612	**–**	–

5. COST OF SALES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Contract costs (Note 22)	**19,582,782**	26,326,759	**–**	–
Maintenance services	**4,246,082**	3,470,155	**–**	–
Cost of equipment sold	**1,349,289**	950,027	**–**	–
	25,178,153	30,746,941	**–**	–

6. OTHER INCOME

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Interest income	**205,457**	240,022	**9,380**	6,661
Gain on disposal of property, plant and equipment	**–**	285	**–**	–
Gain on disposal of available-for-sale financial assets	**3,693,091**	398,426	**3,693,091**	–
Recovery of impairment loss on trade receivables	**–**	1,116,597	**–**	–
Miscellaneous	**5,159**	12,789	**–**	–
Write back of impairment of available-for-sale financial assets	**3,524,409**	–	**3,524,409**	–
	7,428,116	1,768,119	**7,226,880**	6,661
Less: Other income for asset held for sale (Note 25)	**(17,092)**	–	**–**	–
Other income from continuing operations	**7,411,024**	1,768,119	**7,226,880**	6,661

7. FINANCE COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense on:				
Short term borrowing	**124,319**	73,043	**42,701**	–
Bank overdraft	**208,545**	154,978	**–**	–
Bankers' acceptances	**133,215**	167,476	**–**	–
Obligation under finance lease	**4,184**	21,087	**–**	–
	470,263	416,584	**42,701**	–
Less: Interest expenses for asset held for sale (Note 25)	**(14,133)**	–	**–**	–
Finance costs from continuing operations	**456,130**	416,584	**42,701**	–

8. LOSS BEFORE TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(a) After charging/(crediting):				
Staff costs (Note 8(c))	**14,147,368**	13,415,320	**–**	(71,002)
Auditors' remuneration Statutory audits:				
- parent auditors	**100,000**	100,000	**50,000**	42,000
- other auditors	**67,604**	52,108	**–**	–
Other services:				
- parent auditors	**8,000**	8,000	**8,000**	8,000
Depreciation of property, plant and equipment (Note 12)	**558,190**	618,386	**–**	–
Amortisation of intangible assets (Note 14)	**164,976**	597,201	**–**	–
Impairment loss on/ Directors' remunerations (Note 8(b))	**1,315,042**	1,386,648	**321,653**	307,932
Rental income	**–**	–	**–**	–
Rental expense	**243,608**	276,740	**12,000**	12,000
Foreign exchange (gain)/loss				
- realised	**8,264**	59,468	**–**	–
- unrealised	**159,924**	(164,667)	**–**	–
Impairment loss on trade receivables (Note 21(A))	**26,086,477**	2,192,035	**–**	–
Impairment loss/(gain)				
- quoted equity instruments	**(3,893,554)**	966,578	**(3,693,091)**	966,578
Impairment loss on Depreciation of investment properties (Note 13)	**4,592**	5,267	**–**	–
Provision for defect liabilities (Note 22)	**616,851**	849,026	**–**	–
Impairment loss of investment in subsidiaries (Note 15)	**–**	–	**3,491,210**	–
Inventory written off	**–**	1,684	**–**	–
Write-down of inventories	**128,495**	451,176	**–**	12,253

8. LOSS BEFORE TAXATION (CONT'D)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
(a) After charging/(crediting): (cont'd)				
Interest income				
- short term deposits	**(192,325)**	(226,707)	**(9,380)**	(6,661)
- loan stocks	**(13,132)**	(13,315)	**–**	–
Gain on disposal of available-for-sale financial assets	**(3,524,409)**	(398,426)	**(3,524,409)**	–
(Gain)/Loss on disposal of property, plant and equipment	**2,253**	(285)	**–**	–
Loss on disposal of an associate	**–**	1,529,471	**–**	1,529,471
Provision for compensationloss of contract cost	**–**	2,487,237	**–**	2,487,237
Bad debts written off	**–**	44,708	**–**	44,708
Recovery of impairment loss on trade receivables (Note 21(A))	**–**	(177,939)	**–**	–
Write back of impairment loss on trade receivables (Note 21(A))	**–**	(1,116,597)	**–**	–

(b) Directors' remuneration:

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

	Company 2012 RM	Company 2011 RM
(i) Directors of the Company:		
* Executive directors' remuneration:		
Fees	**–**	–
Defined contribution benefit	**–**	–
Other emoluments	**164,978**	171,432
	164,978	171,432
* Non-executive directors' remuneration		
Fees	**156,675**	136,500
Total	**321,653**	307,932

	Group 2012 RM	Group 2011 RM
(ii) Directors of the subsidiaries:		
Executive directors' remuneration:		
Fees	**–**	–
Defined contribution benefit	**517**	620
Other emoluments	**992,872**	1,078,096
	993,389	1,078,716
Total directors' remuneration	**1,315,042**	1,386,648

* Paid to the executive and non-executive directors, who had resigned in the current financial year.

8. LOSS 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 2012	2011
Executive directors:		
Below RM50,000	**–**	1
RM50,001 - RM100,000	**–**	–
RM100,001 - RM150,000	**1**	–
RM150,001 - RM200,000	**3**	1
RM200,001 - RM250,000	**–**	1
RM250,001 - RM300,000	**–**	1
Non-Executive directors:		
Below RM50,000	**5**	4
Past director:		
Below RM50,000	**1**	1

(c) Employee information

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Staff costs (excluding directors' emoluments):				
Salary, wages and bonus	**11,920,341**	10,825,477	**–**	(51,002)
Defined contribution benefit	**1,421,630**	1,223,259	**–**	–
Other staff related expenses	**805,397**	1,366,584	**–**	(20,000)
	14,147,368	13,415,320	**–**	(71,002)

9. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Malaysian taxation based on the results for the year:				
- Current	**–**	859,457	**–**	–
- Under/(Over) provision in prior years	**(251,532)**	483,604	**–**	–
Deferred tax (Note 19)				
- Relating to origination and reversal of temporary differences	**–**	124,413	**–**	–
- Over provision in prior year	**121,311**	(250,000)	**–**	–
	(130,221)	1,217,474	**–**	–

9. INCOME TAX EXPENSE (CONT'D)

A reconciliation between tax expense and the product of accounting profit multiplies by the applicable corporate tax rate for the year ended 31 December 2012 and 2011 are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Loss before taxation	(26,761,458)	(2,946,411)	(1,854,717)	(5,724,413)
Taxation at the statutory tax rate of 25% (2011: 25%)	**(6,690,365)**	(736,603)	**(463,679)**	(1,431,103)
Effect of different tax rate in subsidiaries	**636**	(63,146)	**–**	–
Effect of expenses not deductible for tax purposes	**8,494,104**	2,672,017	**463,679**	1,431,103
Utilisation of previously unrecognised tax losses	**–**	–	**–**	–
Effects of share of (profit)/loss of associates	**–**	–	**–**	–
Effect of income not subject to tax	**(1,804,375)**	(899,045)	**–**	–
Under/(Over) provision of tax expense in prior years	**(251,532)**	483,604	**–**	–
Over provision of deferred tax in prior year	**121,311**	(250,200)	**–**	–
Deferred tax assets not recognised	**–**	10,647	**–**	–
	(130,221)	1,217,274	**–**	–

10. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated by dividing the net profit/(loss) for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year as there are no potential ordinary share issues.

	2012	2011
Loss attributable to ordinary equity holders of the Company - RM	**(25,893,765)**	(5,061,489)
Weighted average number of ordinary shares in issue	**634,906,903**	634,906,903
Basic/diluted loss per share - sen	**(4.08)**	(0.80)

11. DIVIDENDS

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2012.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2012 RM
Cost							
At 1 January 2012	1,223,566	4,440,919	4,799,165	152,821	3,544,122	811,980	14,972,573
Additions	–	–	–	57,800	246,893	22,765	327,458
Revaluation	7,876,434	264,532	4,879,041	–	–	–	13,020,007
Reclassification to assets held for sale (Note 25)	–	–	–	(126,000)	(1,172,675)	(164,617)	(1,463,292)
Disposals	–	–	–	–	(13,365)	–	(13,365)
Exchange differences	–	–	–		(60,937)	–	(60,937)
At 31 December 2012	9,100,000	4,705,451	9,678,206	84,621	2,544,038	670,128	26,782,444
Representing:							
- Cost	1,223,566	4,440,919	4,799,165	84,621	2,544,038	670,128	13,762,437
- Valuation	7,876,434	264,532	4,879,041	–	–	–	13,020,007
	9,100,000	4,705,451	9,678,206	84,621	2,544,038	670,128	26,782,444
Accumulated depreciation and impairment							
At 1 January 2012	–	709,304	646,069	105,712	2,726,095	229,845	4,417,025
Depreciation charge for the year (Note 8(a))	–	116,538	93,146	13,840	322,095	12,571	558,190
Reclassification to assets held for sale (Note 25)	–	–	–	(125,999)	(665,896)	(13,911)	(805,806)
Disposals	–	–	–	–	(10,812)	–	(10,812)
Exchange differences	–	–	–	48,445	–	–	48,445
At 31 December 2012	–	825,842	739,215	41,998	2,371,482	228,505	4,207,042
Net carrying value							
At 31 December 2012	9,100,000	3,879,609	8,938,991	42,623	172,556	441,623	22,575,402

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

Group	Freehold land RM	Freehold buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2011 RM
Cost							
At 1 January 2011	1,223,566	4,440,919	4,456,156	139,677	3,445,511	794,039	14,499,868
Additions	–	–	–	12,000	115,637	9,149	136,786
Disposals	–	–	–	–	(5,671)	–	(5,671)
Exchange differences	–	–	343,009	1,144	(11,355)	8,792	341,590
At 31 December 2011	1,223,566	4,440,919	4,799,165	152,821	3,544,122	811,980	14,972,573
Accumulated depreciation and impairment							
At 1 January 2011	–	617,239	510,769	78,620	2,400,824	193,781	3,801,233
Depreciation charge for the year (Note 8(a))	–	92,065	135,300	25,899	329,058	36,064	618,386
Disposals	–	–	–	–	(3,431)	–	(3,431)
Exchange differences	–	–	–	1,193	(356)	–	837
At 31 December 2011	–	709,304	646,069	105,712	2,726,095	229,845	4,417,025
Net carrying value							
At 31 December 2011	1,223,566	3,731,615	4,153,096	47,109	818,027	582,135	10,555,548

Assets under valuation

Freehold land and building of the Group were revalued in the financial year 2012 by Henry Butcher Malaysia (Johor) Sdn. Bhd., an independent professional valuer. The comparison method was adopted in arriving at the market value of the freehold land and buildings.

Had the freehold buildings been stated at historical cost less accumulated depreciation, the net carrying amount would have been RM4,440,919 (2011: RM3,731,615).

Had the freehold land been stated at historical cost less accumulated amortisation, the net carrying amount would have been RM1,223,566 (2011: RM 1,223,566).

Leasehold land of the Group were revalued in the financial year 2013 by Colliers International (Hong Kong) Ltd, an independent professional valuer. The comparison method was adopted in arriving at the market value of the leasehold buildings.

Had the leasehold land been stated at historical cost less accumulated amortisation, the net carrying amount would have been RM4,799,165 (2011: RM 4,153,096).

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

Assets pledged as security

The freehold land and buildings with a total net carrying amount of RM 12,979,609 (2011: RM 4,955,181) are charged to licensed banks for banking facilities granted to the Group (Note 29 and Note 33).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM 42,623 (2011: RM1)

Assets held under finance leases

During the financial year, the Group acquired furniture, fitting and equipments with an aggregate cost of RM Nil (2011: RM11,700) by means of finance leases.

The net carrying amount of furniture, fitting and equipments held under finance leases at the reporting date were RM196,052 (RM 277,075)

13. INVESTMENT PROPERTIES

	Freehold land RM	Freehold building RM	Leasehold building RM	Total RM
Group				
Cost				
At 1 January 2012	245,909	179,644	362,979	788,532
Addition	–	121,600	–	121,600
At 31 December 2012	245,909	301,244	362,979	910,132
Accumulated depreciation and accumulated impairment losses				
At 1 January 2012	75,909	44,644	274,564	395,117
Depreciation charge (Note 8(a))	–	3,203	1,389	4,592
At 31 December 2012	75,909	47,847	275,953	399,709
Net carrying value				
At 31 December 2012	170,000	253,397	87,026	510,423

13. INVESTMENT PROPERTIES (CONT'D)

	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Group				
Cost				
At 1 January 2011/ At 31 December 2011	245,909	179,644	362,979	788,532
Accumulated depreciation and accumulated impairment losses				
At 1 January 2011	75,909	41,644	272,297	389,850
Depreciation charge (Note 8(a))	–	3,000	2,267	5,267
At 31 December 2011	75,909	44,644	274,564	395,117
Net carrying value				
At 31 December 2011	170,000	135,000	88,415	393,415

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	
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Leasehold building	**87,026**	88,415	90,682

All investment properties are pledged as securities for borrowings (Note 29).

14. INTANGIBLE ASSETS

Group	Software RM	Development Costs RM	Total RM
Cost			
At 1 January 2011	1,503,366	3,703,712	5,207,078
Additions			
- purchased	9,042	3,020	12,062
- acquired subsidiary	–	–	–
At 31 December 2011and 1 January 2012	**1,512,408**	**3,706,732**	**5,219,140**
Additions			
- purchased	–	–	–
Reclassification to assets held for sale (Note 25)	(785,200)	(1,723,362)	(2,508,562)
At 31 December 2012	**727,208**	**1,983,370**	**2,710,578**
Accumulated amortisation and impairment			
At 1 January 2011	1,127,631	3,246,148	4,373,779
Amortisation (Note 8(a))	171,030	426,171	597,201
At 31 December 2011 and 1 January 2012	1,298,661	3,672,319	4,970,980
Amortisation (Note 8(a))	130,563	34,413	164,976
Reclassification to assets held for sale (Note 25)	(706,893)	(1,723,362)	(2,430,255)
At 31 December 2012	**722,331**	**1,983,370**	**2,705,701**
Net carrying value			
At 31 December 2012	**4,877**	**–**	**4,877**
At 31 December 2011	213,747	34,413	248,160

(a) Development Costs

The development costs relate to the development of Power Line Communication Controller for Smart Home, 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 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 31.12.2012 %	31.12.2011 %	1.1.2011 %
Budgeted gross margin	**30.0**	30.0	30.0
Growth rate	**20.0 - 25.0**	20.0 - 25.0	20.0 - 25.2
Discount rate	**6.5**	6.5	6.5

14. INTANGIBLE ASSETS (CONT'D)

(a) Development Costs (cont'd)

(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.

15. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Unquoted shares, at cost			
In Malaysia,	**36,954,596**	23,954,596	23,954,596
Outside Malaysia	**10,878,508**	10,581,230	10,245,790
	47,833,104	34,535,826	34,200,386
Less: Accumulated impairment losses	**(12,269,419)**	(8,778,209)	(8,778,209)
Add: Provision of financial guarantees by the parent	**1,686,145**	1,686,145	1,822,253
	37,249,830	27,443,762	27,244,430

Details of the subsidiaries are as follows:

Name of Company	Country of incorp-oration	Equity Interest held 2012 %	2011 %	Principal activities
Metronic Engineering 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, e-project management of mechanical and electrical services, and supply of engineering systems.
Metronic Integrated System Sdn. Bhd.	Malaysia	**100**	100	Maintenance of intelligent building management system and integrated security management system.
Microsystem (Beijing) Company Limited*	People's Republic of China	**100**	100	Dormant.
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.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Country of incorp-oration	Equity Interest held 2012 %	2011 %	Principal activities
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.
Securetrax Solutions Private Limited*	Singapore	**99**	99	Dormant.
Ideal Ultimate Sdn. Bhd.	Malaysia	**58**	58	Currently dormant. Intended activities are development and commercialisation of the Optical Fiber Perimeter Security System.
Metronic Vietnam Company Limited*	Vietnam	**100**	100	"Design, production and sales of engineering systems for the information and communica-tion technology industry, specialising in intel-ligent management system and integrated security management system.
IPanel Malaysia Sdn. Bhd. #	Malaysia	**82.5**	82.5	"Currently dormant. Intended principal activities are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system.
Anhui Lai'An Metronic Water Supply Company Limited. *	People's Republic of China	**100**	100	Design, construction, production, operation, maintenance and sale of treated water. Become dormant in the current year.

* Audited by firms of auditors other than CHI-LLTC (formerly known as LLTC)

Inclusive of an indirect interest of 7.5% held via IPanel Ptd Ltd.

(a) Acquisition of additional interests and impairment in subsidiaries during the financial year:

(i) Investment in Metronic Engineering Sdn Bhd

During the financial year, the Company has increased its investment capital in Metronic Engineering Sdn Bhd by RM 13,000,000 to RM16,000,000. The percentage holding remains at 100% as it was wholly owned subsidiary of the Company.

(ii) Investment in Metronic Engineering Private Limited

During the financial year, the Company has increased its investment capital in Metronic Engineering Private Limited, India by INR7,376,250 (equivalent to RM297,278) to INR15,776,250 (equivalent to RM917,761), the percentage holding remains at 70% as it was increased proportionate with the remaining shareholder.

16. INVESTMENT IN JOINT VENTURE

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost:			
Outside Malaysia	**220,850**	220,850	220,850

Name of Company	Country of incorporation	Equity Interest held 2012 %	2011 %
Metronic Saudi Arabia Limited Liability Company	Kingdom of Saudi Arabia	**50**	50

This joint venture was set up with the intended principal activities in the design, production and sale of engineering systems for the information, communication and technology industry specialising in intelligent

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

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets and liabilities			
Current assets	**303,850**	303,850	303,850
Non-current assets	**–**	–	–
Total assets	**303,850**	303,850	303,850
Current liabilities	**83,000**	83,000	83,000
Non-current liabilities	**–**	–	–
Total liabilities	**83,000**	83,000	83,000
Income statement			
Revenue	**–**	–	–
Expenses, including finance costs and taxation	**–**	–	–

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Available-for-sale financial assets			
Quoted securities in Malaysia:			
At 1 January	**20,022,140**	6,213,058	–
Reclassification from other investments	**–**	–	9,103,401
Effects of adopting FRS139	**–**	–	1,222,578
At 1 January, restated	**20,022,140**	6,213,058	10,325,979
Reclassification from investment in associate	**–**	17,321,972	–
Change in fair value	**3,524,409**	(1,983,419)	(4,056,846)
Additional	**859,932**	–	–
Disposal	**(4,429,622)**	(1,529,471)	(56,075)
At 31 December, at fair value	**19,976,859**	20,022,140	6,213,058
Revenue	**–**	–	–
Expenses, including finance costs and taxation	**–**	–	–

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Available-for-sale financial assets			
Quoted securities in Malaysia:			
At 1 January	**18,005,255**	5,316,176	–
Reclassification from other investments	**–**	–	8,699,198
Effects of adopting FRS139	**–**	–	966,577
At 1 January, restated	**18,005,255**	5,316,176	9,665,775
Reclassification from investment in associate	**–**	15,668,416	–
Change in fair value	**3,524,409**	(1,449,866)	(4,349,599)
Additional	**859,932**	–	–
Disposal	**(4,066,293)**	(1,529,471)	–
At 31 December, at fair value	**18,323,303**	18,005,255	5,316,176

Impairment losses

During the financial year, the Group and the Company recognised impairment loss of RM Nil (2011: RM966,578) for quoted equity instrument classified as available-for-sale financial assets as there was "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Company use 30% and 6 months as the triggers for "significant" and "prolonged" respectively for the purpose of assessing impairment.

The investment in Unilink Development Limited ("Unilink") is captured at its net carrying amount subsequent to the dilution of the investment from 25.0% to 17.7% held by the Company in the last financial year.

As a result of the dilution, the Company has no significant influence over Unilink and unable to obtain any management report nor statutory financial statements on its financial position and results for the purpose of assessing impairment. The Company has intention to dispose off the investment in Unilink.

18. OTHER INVESTMENTS

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At 1 January			
- quoted shares, at cost	**–**	–	9,758,363
- unquoted shares, at cost	**144,897**	144,897	144,897
- less: impairment loss	**(144,897)**	(144,897)	(799,859)
	–	–	9,103,401
- effect of adopting FRS 139	**–**	–	(9,103,401)
	–	–	–
Golf club membership	**94,000**	94,000	94,000
At 31 December	**94,000**	94,000	94,000

	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At 1 January			
- quoted shares, at cost	**–**	–	8,699,198
- unquoted shares, at cost	**144,897**	144,897	144,897
- less: impairment loss	**(144,897)**	(144,897)	(144,897)
	–	–	8,699,198
- effect of adopting FRS 139	**–**	–	(8,699,198)
	–	–	–
Golf club membership	**–**	–	–
At 31 December	**–**	–	–

19. DEFERRED TAX

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At 1 January	**8,609,167**	8,490,526	2,854,937
Effect of adopting FRS 139	**–**	–	5,440,000
At 1 January, restated	**8,609,167**	8,490,526	8,294,937
Recognised in revaluation reserve	**(407,000)**	–	–
Recognised in income statement (Note 9)	**(121,311)**	125,587	197,000
Foreign currency translation differences	**(1,538)**	(6,946)	(1,411)
At 31 December - after appropriate set off	**8,079,318**	8,609,167	8,490,526

19. DEFERRED TAX (CONT'D)

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2012	**56,256**	**56,256**
Recognised in income statement	**–**	**–**
Foreign currency translation differences	**–**	**–**
At 31 December 2012	**56,256**	**56,256**
At 1 January 2011	54,775	54,775
Recognised in income statement	2,000	2,000
Foreign currency translation differences	(519)	(519)
At 31 December 2011	56,256	56,256

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2012	**1,494,000**	**6,167,000**	**1,004,423**	**8,665,423**
Recognised in income statement	**–**	**–**	**(121,311)**	**(121,311)**
Transfer from equity	**–**	**–**	**(407,000)**	**(407,000)**
Foreign currency translation differences	**–**	**–**	**(1,538)**	**(1,538)**
At 31 December 2012	**1,494,000**	**6,167,000**	**474,574**	**8,135,574**

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2011	1,366,000	6,416,000	763,301	8,545,301
Recognised in income statement	128,000	(249,000)	248,587	127,587
Disposal of subsidiary	–	–	–	–
Foreign currency translation differences	–	–	(7,465)	(7,465)
At 31 December 2011	1,494,000	6,167,000	1,004,423	8,665,423

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

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Unused tax losses	**1,047,612**	1,047,612	897,612
Unabsorbed capital allowances	**6,844**	6,844	6,344
	1,054,456	1,054,456	903,956

At the reporting date, the Group has tax losses of approximately RM31,160,216 (2011:RM1,054,456) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

20. INVENTORIES

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At cost			
Building automation equipment and parts	**1,299,421**	1,155,569	2,384,257

21. TRADE AND OTHER RECEIVABLES

Trade receivables

	Group		
	2012	2011	2010
	RM	RM	RM
Trade receivables	**39,768,688**	47,946,244	39,097,808
Progress billings receivable	**45,826,636**	48,441,963	57,302,652
Due from customers on contracts (Note 22)	**6,221,227**	6,095,584	8,345,592
Retention sums on contracts (Note 22)	**18,143,368**	18,085,942	18,567,943
	109,959,919	120,569,733	123,313,995
Reclassification to assets held for sale (Note 25)	**(32,524,053)**	–	–
	77,435,866	120,569,733	123,313,995
Allowance for impairment	**(57,706,599)**	(33,302,897)	(32,305,949)
Trade receivables, net	**19,729,267**	87,266,836	91,008,046
Other receivables			
Deposits and prepayment	**5,073,140**	3,244,336	1,181,397
Sundry receivables	**190,377**	2,347,859	4,570,400
Reclassification to assets held for sale (Note 25)	**(436,743)**	–	–
Allowance for impairment	**(889,725)**	(775,664)	(1,424,707)
Other receivables, net	**3,937,049**	4,816,531	4,327,090
Total trade and other receivables	**23,666,316**	92,083,367	95,335,136
Add: Short term deposits (Note 23)	**7,155,923**	7,769,106	8,179,679
Cash and bank balances (Note 24)	**17,319,793**	9,145,757	5,084,730
Reclassification to assets held for sale (Note 25)	**(15,794,077)**	–	–
Total loans and receivables	**32,347,955**	108,998,230	108,599,545
Due from subsidiaries	**3,340,405**	11,694,905	12,283,505
Deposits and prepayment	**–**	–	–
Sundry receivables	**22,259**	22,259	68,560
Allowance for impairment	**–**	–	–
Other receivables, net	**3,362,664**	11,717,164	12,352,065
Total trade and other receivables	**3,362,664**	11,717,164	12,352,065
Cash and bank balances (Note 24)	**12,845**	167,063	957,296
Total loans and receivables	**3,375,509**	11,884,227	13,309,361

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(A) Trade receivables (cont'd)

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 RM44,450,738 (2011: RM44,450,738), who was a related party as disclosed in Note 31(a), is over the normal credit period given to customers. Included in the balance due from former related party is also the retention sums on contracts of RM10,530,270 (2011: RM10,530,270) which is due upon the expiry of warranty in the previous financial year. These debts are due for sub-contract work completed for the former related party who was the main contractor and for certain debtors on certain federal public sector projects for the Government of Malaysia ("GOM); the Group, in the quarterly financial reporting ended 30 September 2012 has made a full provision for impairment of the outstanding amount due from the said former related party and certain group of debtors above; and

(ii) a balance due from certain group of debtors of RM2,114,682 (2011: RM2,114,682) 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. Included in the balance due from certain group of debtors is the retention sums on contracts of RM519,651 (2011: RM519,651) which is due upon the expiry of warranty period in the last financial year.

The total exposure to the Group as a result of (i) and (ii) above amounted to RM46,565,420 (2011: RM46,565,420). The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Group has received the Certificate of Practical Completion from the said former related party and noted that the defects liability period has expired in the previous financial year and that there are no further defects to be made good. During the last financial year, the Group has also entered into Deed of Assignment ("DOA") with the related party wherein the said former related party has irrevocably assigned to the Group absolutely all its rights, interests, benefits and title of the claims of these receivables from the GOM. (See Note 30(A) for the related amounts due to sub-contractors and suppliers of the above mentioned projects).

The former related party was related to certain former directors (Note 31(a)) who had resigned from that Company and also from the Company in the current financial year.

The estimated timeframe was solely based on management's estimates. No empirical evidence was available to derive at this estimated timeframe of collection.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012	**2011**
	RM	**RM**
Neither past due nor impaired	**31,249,137**	38,912,156
1 to 30 days past due but not impaired	**6,520,210**	5,087,220
31 to 60 days past due but not impaired	**4,212,878**	2,916,993
61 to 90 days past due but not impaired	**2,450,355**	2,542,061
91 to 120 days past due but not impaired	**1,586,874**	4,171,257
More than 121 days past due but not impaired	**6,233,866**	5,959,983
	21,004,183	20,677,514
Impaired	**57,706,599**	60,980,063
	109,959,919	120,569,733

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(A) Trade receivables (cont'd)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting RM21,004,183 (2011: RM20,677,514) that are past due at the reporting date but not impaired.

At the reporting date, the balances of receivables that are past due but not impaired are unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follow:

	Group					
	Collectively impaired		**Invidually impaired**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Trade receivables - nominal amounts	**1,708,619**	4,718,667	**55,997,980**	56,261,396	**57,706,599**	60,980,063
Less: Allowance for impairment	**(1,708,619)**	(2,541,309)	**(55,997,980)**	(30,761,587)	**(57,706,599)**	(33,302,896)
	–	2,177,358	–	25,499,809	–	27,677,167

Movement in allowance accounts:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At 1 January	**33,302,897**	32,305,949	9,039,956
Effect of adopting FRS 139	**–**	–	21,760,262
Charge for the year (Note 8(a))	**26,086,477**	2,192,035	2,435,226
Recovery of allowance for impairment of trade receivables (Note 8(a))	**–**	(177,939)	(559,391)
Write back of impairment of trade receivables (Note 8(a))	**–**	(1,116,597)	(258,208)
Exchange differences	**(1,682,776)**	99,449	(111,896)
At 31 December	**57,706,599**	33,302,897	32,305,949

Trade receivables that are individually determined to be impaired at the reporting date are determined on a case-by-case basis, and normally relate to debtors that have significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(B) Other receivables

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM29,887 (2011: RM106,979).

22. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Contract costs incurred to date	**266,940,907**	270,755,045	272,851,615
Add: Attributable profits	**47,874,450**	49,573,241	51,327,644
	314,815,357	320,328,286	324,179,259
Less: Progress billings received and receivable	**(315,299,987)**	(318,457,205)	(322,113,209)
	(484,630)	1,871,081	2,066,050
Due from customers on contracts (Note 21(A))	**6,221,227**	6,095,584	8,345,592
Due to customers on contracts (Note 30(A))	**(6,705,857)**	(4,224,503)	(6,279,542)
	(484,630)	1,871,081	2,066,050
Retention sums on contracts, included within trade receivables (Note 21(A))	**18,143,368**	18,085,942	18,567,943
Advances received on contracts, included within trade payables (Note 30(A))	**238,541**	70,457	1,431,753
Contract costs recognised as an expense (Note 5)	**19,582,782**	26,326,759	43,513,274

Included in contract costs recognised as an expense is provision for defect liabilities of RM616,851 (2011: RM849,026) during the year (Note 8(a)).

23. SHORT TERM DEPOSITS

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Fixed deposits with licensed banks	**7,155,923**	7,769,106	8,179,679
Reclassification to assets held for sale (Note 25)	**(1,055,000)**	–	–
	6,100,923	7,769,106	8,179,679

Fixed deposits with licensed banks of the Group amounting to RM5,300,923 (2011: RM7,079,512) are pledged as security for banking facilities granted to the Group and to the Company respectively as disclosed in Note 29 and Note 33 to the financial statements.

23. SHORT TERM DEPOSITS (CONT'D)

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

	Interest rate		Maturity	
	2012	2011	**2012**	2011
	%	%	**day**	day
Group	**2.55**	2.52	**180**	87
Company	**–**	–	**–**	–

24. CASH AND BANK BALANCES

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

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Cash and bank balances	**17,319,792**	9,145,757	5,084,730
Reclassification to assets held for sale (Note 25)	**(14,739,077)**	–	–
	2,580,715	9,145,757	5,084,730
Fixed deposits with licensed banks*	**800,000**	689,594	781,180
Bank overdrafts (Note 29)	**(1,946,895)**	(2,431,229)	(2,333,857)
Total cash and cash equivalents	**1,433,820**	7,404,122	3,532,053

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Cash and cash equivalents at end of the year			
Continuing operation	**1,433,820**	7,404,122	3,532,053
classified as held for sale (Note 25)	**14,739,077**	–	–
	16,172,897	7,404,122	3,532,053

	Company		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Cash and bank balances	**12,845**	167,063	957,296

* Excluding amounts pledged as security as disclosed in Note 23.

25. DISPOSAL GROUPS/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Included in non-current assets classified as held for sale on the consolidated statement of financial position as at 31 December 2012 are:

	Group Carrying value as at 31 December 2012 RM'000
Assets	
Property, plant and equipment (Note 12)	657,486
Intangible assets (Note 14)	78,307
Trade receivables (Note 21)	32,524,053
Other receivables (Note 21)	436,743
Short term deposits (Note 23)	1,055,000
Cash and bank balances (Note 24)	14,739,077
Assets of disposal groups classified as held for sale	49,490,666
Assets of disposal groups/ Non-current assets classified as held for sale	49,490,666
Liabilities	
Trade payables (Note 30)	33,643,786
Other payables (Note 30)	8,174,026
Obligation under finance leases (secured) (Note 29)	
- current	53,469
- non-current	80,203
Hire purchases payables (Note 29)	
- current	11,899
- non-current	18,749
Liabilities of disposal groups/ Non-current assets classified as held for sale	41,982,132

The results of Metronic iCares Sdn. Bhd., which is classified as assets held for sale for the financial years ended 31 December 2012 are as follows:

	Group 2012 RM'000
Revenue (Note 4)	10,452,526
Other income	17,092
Expenses (Note 6)	(9,167,502)
Interest expenses (Note 7)	(14,133)
Profit before tax from assets held for sale	1,287,983
Income tax expense	–
Profit for the year from assets held for sale	1,287,983

The cash flows attributable to Metronic iCares Sdn Bhd are as follows:

	Group 2012 RM'000
Operating cash flows	10,556,253
Investing cash flows	(229,687)
Total cash flows	10,326,566

26. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		
	31.12.2012	31.12.2011	1.1.2011
Authorised:			
At 1 January/31 December	**100,000,000**	100,000,000	100,000,000
Issued and fully paid:			
At 1 January 2012/31 December 2012	**634,906,903**	634,906,903	634,906,903

	Amount		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Authorised:			
At 1 January/31 December	**100,000,000**	100,000,000	100,000,000
Issued and fully paid:			
At 1 January 2012/31 December 2012	**634,906,903**	634,906,903	634,906,903

There was no issuance of new shares for the year ended 31 December 2012.

27. OTHER RESERVES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Revaluation reserves			
At January	**–**	–	–
Revaluation surplus from freehold land and buildings	**13,020,007**	–	–
Less: Transfer to deferred tax (Note 19)	**(407,000)**	–	–
At 31 December	**12,613,007**	–	–
Foreign currency translation reserve			
At January	**85,222**	85,320	1,602,959
Unrealised foreign exchange (gain)/loss (Note 8(a))	**159,924**	(164,667)	304,610
Foreign currency translation	**604,060**	164,569	(1,822,249)
At 31 December	**849,206**	85,222	85,320
Available for sale reserve			
At January	**175,098**	1,013,900	–
Effects of adopting FRS 139	**–**	–	1,222,578
- fair value changes	**3,161,080**	(1,983,419)	(4,056,846)
- transfer to profit/loss	**(3,893,554)**	966,578	3,866,310
- transfer to profit/loss upon disposal	**557,376**	178,039	(18,142)
At 31 December	**–**	175,098	1,013,900

27. OTHER RESERVES (CONT'D)

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Available for sale reserve			
At January	**–**	483,288	–
Effects of adopting FRS 139	**–**	–	966,577
- fair value changes	**3,524,409**	(1,449,866)	(4,349,599)
- transfer to profit/loss	**(3,693,091)**	966,578	3,866,310
- transfer to profit/loss upon disposal	**168,682**	–	–
At 31 December	**–**	–	483,288

(a) Revaluation reserve

The revaluation reserve represents revaluation surplus on the properties net of tax.

(b) Available-for-sale reserve

The fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(c) 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. ACCUMULATED LOSSES

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

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007, subject to the availability of profit.

29. LOANS AND BORROWINGS

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Current			
Obligations under finance leases (secured)	**68,348**	94,304	89,478
Hire purchase payables (secured)	**20,599**	11,899	11,899
Bank overdrafts (secured) (Note 24)	**1,946,895**	2,431,229	2,333,857
Bankers' acceptances (secured)	**1,845,075**	3,194,022	5,101,095
Revolving credits	**–**	–	3,339,112
Reclassification to assets held for sale (Note 25)	**(65,368)**	–	–
	3,815,549	5,731,454	10,875,441
Non current			
Obligations under finance leases	**80,203**	143,173	250,845
Hire purchase payables	**56,874**	30,648	42,547
Reclassification to assets held for sale (Note 25)	**(98,952)**	–	–
	38,125	173,821	293,392
Total loans and borrowings	**3,853,674**	5,905,275	11,168,833

The remaining maturities of the loans and borrowings as at 31 December 2012 are as below:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
On demand or within one year	**3,815,549**	5,731,454	10,875,441
More than 1 year and less than 2 years	**8,700**	85,625	100,825
More than 2 years and less than 5 years	**17,400**	88,196	192,567
5 years or more	**12,025**	–	–
	3,853,674	5,905,275	11,168,833

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and the fixed deposits with licensed banks of the Group as disclosed in Note 12, Note 13 and Note 23. The interest rates on these borrowings range between 2012: 4.13% to 8.6% (2011: 4.13% to 8.6%) per annum.

The revolving credit project facility is secured by the deed of assignment of contract proceeds and receivables in relation to the project at an interest rate of 4.24% (6.5% in 2011) per annum.

The obligations under finance lease are secured by a charge over the leased assets as disclosed in Note 12. The average discount rate implicit in the leases is between 8% to 17% (2011: 11% to 17%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

30. TRADE AND OTHER PAYABLES

(A) Trade payables

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables	**62,409,652**	68,422,518	63,823,725
Advances received on contracts (Note 22)	**238,541**	70,457	1,431,753
Due to customers on contracts (Note 22)	**6,705,857**	4,224,503	6,279,542
Reclassification to assets held for sale (Note 25)	**(33,643,786)**	–	–
	35,710,264	72,717,478	71,535,020

(B) Other payables

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other creditors and accruals	**4,478,210**	8,477,721	6,131,079
Due to former directors' related companies*	**4,090,453**	2,033,331	2,434,431
Deferred revenue	**5,743,009**	1,629,083	1,341,078
Due to directors	**1,167,121**	1,186,328	1,111,743
Provision for defect liabilities	**6,869,628**	6,500,460	5,680,703
Reclassification to assets held for sale (Note 25)	**(8,174,026)**	–	–
	14,174,395	19,826,923	16,699,034

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total trade and other payables	**49,884,659**	92,544,401	88,234,054
Add: Loans and borrowings (Note 29)	**3,853,674**	5,905,275	11,168,833
Total financial liabilities carried at amortised cost	**53,738,333**	98,449,676	99,402,887

(A) Trade payables

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables	**–**	–	–
Advances received on contracts (Note 22)	**–**	–	–
Due to customers on contracts (Note 22)	**–**	–	–

30. TRADE AND OTHER PAYABLES (CONT'D)

(B) Other payables

	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Due to subsidiary	**6,590,047**	133,822	133,822
Other creditors and accruals	**1,674,222**	3,810,932	1,372,662
Due to former directors' related companies*	**–**	849,400	1,149,000
Deferred revenue	**–**	–	–
Due to directors	**–**	–	–
Provision for defect liabilities	**–**	–	–
Financial guarantees	**–**	–	136,108
	8,264,269	4,794,154	2,791,592
Total Trade and other payables	**8,264,269**	4,794,154	2,791,592
Add: Loans and borrowings (Note 29)			
Total financial liabilities carried at amortised cost	**8,264,269**	4,794,154	2,791,592

* Companies in which former directors, Dato' Abd Gani bin Yusof, Dr Ng Tek Che, Liew Chiap Hong and their family members were former directors' of these companies.

(A) Trade payables

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM 22,259,755 (2011:RM 22,259,755) which relates to work completed for certain federal public sector projects as mentioned in Note 21(A)(i) and Note 21(A)(ii). 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

Included in the Group's and Company's other creditors and accruals is an amount due to the Original Shareholders of a former associate.

Amount due to the former directors' related companies is non-interest bearing, unsecured and repayable on demand.

The financial guarantees relate to corporate guarantees provided by the Company to banks for a total amount of RM52,500,000 (2011: RM50,500,000) (Note 33(c)) for banking facilities granted to subsidiaries.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2012		2011	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
Group				
Purchases from ITG Worldwide (M) Sdn. Bhd. ##	–	–	–	950,701
Contract and maintenance services receivable from				
- MH Projects Sdn. Bhd. ("MHP") #	–	–	–	44,450,738
- ER Mekatron Manufacturing Sdn Bhd. ###	–	–	–	11,000
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	–	–	–	54,204
Sale of equipment to Edmund Chuah Choong Eng Huat***	–	–	–	58,786
Company				
Subsidiaries:				
Office rental paid	**12,000**	–	12,000	–

\# A company in which the former directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff were also the former directors of this company until 15 November 2009 and 30 November 2009 respectively, and a family member of Dato' Abd. Gani bin Yusof was a former director of this company.

\## A company in which a former director of the Company, Liew Chiap Hong has interest.

\### A company in which a former director of the Company, Edmund Chuah Choong Eng Huat ("Edmund") has interest. Edmund was disqualified from holding office of director of the Company on 16 March 2011.

*** Edmund Chuah Choong Eng Huat was a former director of the Company until 16 March 2011.

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		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	**1,157,850**	1,249,528	**164,978**	171,432
Post-employment benefits:				
Defined contribution plan	**517**	620	**–**	–
Directors' fees	**156,675**	136,500	**156,675**	136,500
	1,315,042	1,386,648	**321,653**	307,932

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel (cont'd)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Included in the total key management personnel are:				
Directors' remuneration (Note 8(b))	**1,315,042**	1,386,648	321,653	307,932

32. COMMITMENTS

(a) Hire purchase commitments

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

	Group 2012 Minimum payments RM	Group 2012 Present value of liabilities RM	Group 2011 Minimum payments RM	Group 2011 Present value of liabilities RM
Not later than 1 year	**23,916**	**20,599**	15,216	11,899
Later than 1 year but not later than 2 years	**23,916**	**20,599**	15,216	11,899
Later than 2 year but not later than 5 years	**26,185**	**24,250**	24,001	18,749
Later than 5 years	**12,025**	**12,025**	–	–
	86,042	**77,473**	54,433	42,547
Less: Future finance charges	**(8,569)**	**–**	(11,886)	–
	77,473	**77,473**	42,547	42,547

(c) Finance lease commitments

The Group has finance leases for certain items of computer hardware and office equipments (Note 12). These leases have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group 2012 Minimum payments RM	Group 2012 Present value of liabilities RM	Group 2011 Minimum payments RM	Group 2011 Present value of liabilities RM
Not later than 1 year	**79,164**	**68,348**	103,927	94,304
Later than 1 year but not later than 2 years	**64,285**	**53,469**	80,913	73,726
Later than 2 year but not later than 5 years	**32,142**	**26,734**	96,427	69,447
Later than 5 years	**–**	**–**	–	–
	175,591	**148,551**	281,267	237,477
Less: Future finance charges	**(27,040)**	**–**	(43,790)	–
	148,551	**148,551**	237,477	237,477

33. CONTINGENT LIABILITIES

	Group 2012 RM	Group 2011 RM
(a) Secured:		
Performance and financial guarantees issued by the banks to third parties	**8,910,078**	7,106,572

The above bank guarantees and letter of credit are secured on the freehold land and buildings, leasehold buildings and fixed deposits with licensed banks of the Group as disclosed in Note 12 and Note 23 to the financial statements.

	Group 2012 RM	Group 2011 RM
(b) Unsecured:		
Litigation, claims and legal suits	**2,658,344**	–

(i) Federal Court
Metronic Global Berhad ("MGB") vs. Cworks Systems Berhad ("Cworks")

MGB had engaged Cworks to develop prototype software for China National Product & Services Codes Company. However, it is MGB's position that Cworks had failed to develop and deliver the prototype but had claimed RM1,751,617.27 for performance of the contract. Judgment monies had been paid to Cworks pursuant to the order of the High Court. The Court of Appeal affirmed the decision of the High Court. Leave was granted by the Federal Court for MGB to appeal against the decision of the High Court and Court of Appeal.

Federal Court ruled unanimously on 11 April 2013 in favour of the Respondent, dismissing Metronic Global Berhad as the Appellant's Appeal with cost of RM 50,000 for both Leave Application and Substantive Appeal.

(ii) Shah Alam High Court
Digistar Holding Sdn Bhd vs. Metronic Engineering Sdn. Bhd. ("MESB")

This is a claim against a subsidiary, MESB for outstanding monies for the total amount of RM1,648,317.27 in respect of Alor Setar Hospital Project.

The case has been fixed for trial on 6.5.2013 and 7.5.2013

(iii) Kuala Lumpur High Court
D'care Solutions Sdn Bhd vs. Metronic Engineering Sdn. Bhd. ("MESB")

This is a claim against a subsidiary, MESB for outstanding monies for the amount of RM208,000.00 in respect of the New Alor Setar Hospital Project. The High Court on 29.1.2013 entered judgment in favour of D'care Solutions Sdn Bhd for RM208,344.15 with interest at the rate of 5% from the date of filing of writ on 22.8.2011 and costs.

MESB has filed a Notice of Appeal on 20.2.2013 to appeal against the decision of High Court Kuala Lumpur to Court of Appeal.

33. CONTINGENT LIABILITIES (CONT'D)

(b) Unsecured: (cont'd)
Litigation, claims and legal suits (cont'd)

(iv) Shah Alam High Court
Mandarin Opto-Medic Sdn Bhd vs.
Metronic Engineering Sdn. Bhd. ("MESB")

This is a claim against MESB for outstanding monies in respect of New Alor Setar Project. The matter is similar to an earlier suit vide Kuala Lumpur High Court Suit No. D22-NCVC-1998-2012 where the matter was settled via Consent Judgment entered into between the Claimant and MH Projects Sdn Bhd. However, MH Projects Sdn Bhd has been wound-up and the Claimant filed this suit in the Shah Alam High Court. Notice of Interrogatory dated 16.11.2012 was served on the Plaintiff on 19.11.2012.

The High Court of Shah Alam entered Judgment against MESB on the 13.3.2013 for the sum of RM438,112.37 which monies shall be paid to the Plaintiff within 21 days pending Appeal to the Court of Appeal against said Judgment.

On 15.3.2013, Mandarin Opto-Medic Sdn Bhd issued a Notice under Section 218 of the Companies Act 1965 purportedly in demand for unpaid judgment sum with interest and costs of RM449,091.53.

Notice of Appeal filed on 26.3.2013 to appeal against the decision of High Court Shah Alam to Court of Appeal.

(v) Li Jichang vs Metronic Global Berhad ("MGB") and
Metronic Microsystem (Beijing) Company Limited ("MMBCL")

On 12 November 2004, the Plaintiff and MGB entered into an " Agreement on Adjustment and Accelerated Establishment of Metronic China Company" (Agreement). On 17 August 2004 a Cooperation Agreement was signed by and between MMBCL, Zhongbiao National Products and Services Uniform Code Management Centre Co. Ltd, Beijing Xinyun Communication Co. Ltd and infocon (Beijing) Environment Control Technology Company Limited.

MGB denies the allegations and appointed solicitors to defend the case. MGB's former Managing Director, Dr Tek Che had, on 8 December 2009, lodged a police report that the agreement presented by the Plaintiff is a forgery and had denied the contents of the Agreement.

MGB had, on 8 November 2012, received a letter from Li Jichang's lawyer proposing to be resolved by mediation. MGB then wrote agreeing for a discussion to be held in Kuala Lumpur.

	Company	
	2012	**2011**
	RM	**RM**
(c) Unsecured:		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**52,500,000**	50,500,000
Corporate guarantees given to performance for project granted to subsidiaries	**43,042,826**	–

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, market price risks and credit risks. It is, and has been throughout the year under review.

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group. The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities.

Interest bearing financial assets are mainly short term in nature which includes fixed deposits with licensed banks which are placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

The Group's interest bearing financial liabilities mainly comprise bank borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group currently does not use any derivative financial instruments to manage its exposure to changes in interest rates and it is the Group's policy to obtain the most favourable interest rates available.

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

Interest on borrowings that are subject to floating rates are contractually repriced within a year. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments.

Interest on borrowings that are subject to floating rates are contractually repriced within a year. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments.

At the reporting date, if interest rates had been 50 basis points higher/lower, with all other variables held constant, the Group's loss before taxation and net of tax, and the equity would have been RM22,807 higher/ lower (2011: higher/lower by RM27,701), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. If interest rates had been 50 basis points higher/lower, with all other variables held constant, the Group's loss before taxation and net of tax, and the equity would have been RM10,273 lower/ higher (2011: lower/higher by RM38,846) as a result of higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. 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 maintains available banking facilities of a reasonable level to its overall debt position.

<u>Analysis of financial instruments by remaining contractual maturities</u>

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2012		
	On demand or within one year	One to five years	Total
Group			
Financial liabilities:			
Trade and other payables	49,884,659	–	49,884,659
Loans and borrowings	3,815,549	38,125	3,853,674
Total undiscounted financial liabilities	53,700,208	38,125	53,738,333

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2012		
	On demand or within one year	**One to five years**	**Total**
Company			
Trade and other payables (excluding financial guarantees)*	**8,264,269**	**–**	**8,264,269**
Loans and borrowings	**–**	**–**	**–**
Total financial liabilities	**8,264,269**	**–**	**8,264,269**

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 on-going basis. The currencies giving rise to this risk are primarily the United States Dollar ("USD"), Great Britain Pound ("GBP"), Euro, Saudi Riyal ("SR"), Singapore Dollar ("SGD"), China Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Indian Rupee ("INR"), and Arab Emirates Dirham ("AED").

The Group's policy is to minimise the exposure of overseas operating subsidiaries/ activities to transaction risks by matching local currency income against local currency cost.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. If the functional currency had weakened or strengthened by 10% against the HKD, INR, SGD, RMB and AED with all other variables held constant, the impact on equity would have been approximately RM337,707 higher/lower on translation upon consolidation. No impact on the profit and loss as the financial assets and liabilities denominated in the above currencies are in respect of the foreign subsidiaries where the trade in those subsidiaries are conducted in those entities' respective functional currencies.

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

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

	USD RM	GBP RM	Euro RM	SR RM	SGD RM	RMB RM	INR RM	AED RM	Total RM
At 31 December 2012									
Trade and other receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**272,085**	**272,085**
Cash and bank balance	**–**	**–**	**–**	**37,246**	**80**	**553,064**	**–**	**159,026**	**749,416**
Trade and other payables	**1,080,361**	**26,085**	**134,595**	**335,222**	**562,922**	**3,144,249**	**2,266,202**	**546,537**	**8,096,173**
Borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**110,444**	**–**	**110,444**
At 31 December 2011									
Trade and other receivables	232,685	–	–	–	–	1,330,730	3,726,983	225,635	5,516,033
Cash and bank balance	–	–	–	–	–	415,969	162,192	577,635	1,155,796
Trade and other payables	1,270,931	26,085	134,595	25,115	170,614	3,637,325	3,289,641	1,157,838	9,712,144
Borrowings	–	–	–	–	–	–	–	–	–

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's loss net of tax and equity to a reasonably possible change in the USD, GBP, Euro, Saudi Riyal, SGD and AED exchange rates against the respective functional currencies of the Group entities, will all other variables held constant.

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

	Group 2012 RM Effect on loss net of tax/equity, net of tax Increase/(decrease)
EUR/RM - strengthened 10%	39
- weakened 10%	(39)
GBP/RM - strengthened 10%	(5)
- weakened 10%	5
SAR/RM - strengthened 10%	11
- weakened 10%	(11)
SGD/RM - strengthened 10%	(591)
- weakened 10%	591
USD/RM - strengthened 10%	1,056
- weakened 10%	(1,056)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

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 the progress billings receivables from a related party and certain group of debtors of RM35,515,499 (2011: RM35,515,499) and retention sums on contracts of RM11,049,921 (2011: RM11,049,921) as disclosed in Note 21(A).

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad. This instruments are classied as available-for-sale financial assets. The Group does not have exposure to commodity price risk. The Group's objective is to manage investment returns, to steady dividend yield and capital gain.

Management of the Group monitors the equity instruments on an individual basis and all buy and sell decisions are approved by the managing director and executive director of the Group.

A 5% strengthening in the quoted market price of the respective counters at the end of the reporting period with all other variables held constant would have increase the fair value adjustment reserve in equity and other comprehensive income by RM209,218 (2011: RM193,315). A 5% weakening in the quoted market price of the respective counters would have equal but opposite effect on the fair value adjustment reserve in equity and other comprehensive income respectively.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximated their fair values except for the following:

	Group Carrying value RM	Fair value RM	Company Carrying value RM	Fair value RM
At 31 December 2012:				
Other investments	**94,000**	**250,000**	**–**	**–**

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, loans and short-term borrowings

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

(ii) Long-term borrowing

The carrying amounts of the non-current portion of hire purchase and finance leases are reasonable approximation of their fair values as the implied discount rates approximate current market rates.

(iii) Investments

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

(iv) Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period.
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default.
- The estimated loss exposure if the party guaranteed were to default.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital plus loans and borrowings. The Group's policy is to minimise the gearing ratio. Capital includes equity attributable to the owners of the parent.

36. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2012	**2011**
	RM	**RM**
Loans and borrowings (Note 29)	**3,853,674**	5,905,275
Equity attributable to the owners of the parent	**34,514,611**	47,206,483
Capital and borrowings	**38,368,285**	53,111,758
Gearing ratio	**0.10**	0.11

37. SEGMENTAL REPORTING

For management purpose, the Group 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, People's Republic of China and United Arab Emirates. 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

37. SEGMENTAL REPORTING (CONT'D)

Geographical segments

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

	Note	Malaysia RM	Overseas RM	Adjustments/ eliminations RM	Total RM
31 December 2012					
Revenue					
Continued operations					
Sales to external customers		34,606,883	1,541,589	–	36,148,472
Inter-segment sales		269,626	–	(269,626)	–
Total Revenue		34,876,509	1,541,589	(269,626)	36,148,472
Discontinued operations					
Sales to external customers		10,452,526	–	–	10,452,526
Inter-segment sales		11,602	–	(11,602)	–
Total Revenue		10,464,128	–	(11,602)	10,452,526
	(A)				46,600,998
Results					
Segment result		(27,984,855)	(1,185,178)	3,491,211	(22,187,611)
Finance cost		(428,792)	(27,338)	–	(456,130)
Loss before tax					
- Continued operations					(26,761,458)
Profit before tax					
- Discontinued operations					1,287,983
Income tax expense					130,221
Net loss for the year					(25,343,254)
Assets					
Segment assets	(B)	170,837,425	16,413,123	(52,871,628)	134,378,920
Liabilities					
Segment liabilities	(C)	99,010,714	15,966,445	(19,065,569)	95,911,590
Other segment information					
Capital expenditure		327,458	–	–	327,458
Depreciation of property plant and equipment		427,805	130,385	–	558,190
Depreciation of investment properties		4,592	–	–	4,592
Amortisation of intangible assets and prepaid lease payments		164,976	–	–	164,976
Other significant non-cash expenses:					
Impairment loss on trade receivables		26,076,707	9,770	–	26,086,477
Provision for defect liabilities		616,851	–	–	616,851
Write-down of inventories		128,495	–	–	128,495

37. SEGMENTAL REPORTING (CONT'D)

Geographical segments (cont'd)

	Note	Malaysia RM	Overseas RM	Adjustments/ eliminations RM	Total RM
31 December 2011					
Revenue					
Sales to external customers		45,186,609	11,447,003	–	56,633,612
Inter-segment sales	(A)	98,933	925,752	(1,024,685)	–
Total Revenue		45,285,542	12,372,755	(1,024,685)	56,633,612
Results					
Segment result		(2,723,432)	198,384	(4,779)	(2,529,827)
Share of profit/(loss) of associates		–	–	–	–
Finance cost		(382,252)	(34,332)	–	(416,584)
Loss before tax					(2,946,411)
Income tax expense					(1,217,474)
Net loss for the year					(4,163,885)
Assets					
Segment assets	(B)	185,362,839	10,823,222	(46,109,832)	150,076,229
Liabilities					
Segment liabilities	(C)	106,705,767	15,290,639	(22,402,120)	99,594,286
Other segment information					
Capital expenditure		148,848	–	–	148,848
Depreciation of property plant and equipment		455,027	130,854	–	585,881
Depreciation of investment properties		5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments		583,291	–	–	583,291
Impairment loss on intangible assets		–	–	–	–
Recovery of provision for doubtful debts		117,939	–	–	117,939
Other significant non-cash expenses:					
Impairment loss on trade receivables		2,010,061	181,974	–	2,192,035
Provision for defect liabilities		849,026	–	–	849,026
Provision for compensation loss		2,487,237	–	–	2,487,237
Write-down of inventories		449,863	1,313	–	451,176

37. SEGMENTAL REPORTING (CONT'D)

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.

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

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
31 December 2012						
Revenue						
Continued operations						
Sales to external customers		36,148,472	–	–	–	36,148,472
Inter-segment sales		269,626	–	–	(269,626)	–
Total revenue		36,418,098	–	–	(269,626)	36,148,472
Assets held for sale						
Sales to external customers		–	10,452,526	–	–	10,452,526
Inter-segment sales		–	11,602	–	(11,602)	–
Total revenue		–	10,464,128	–	(11,602)	10,452,526
	(A)					46,600,998
Results						
Segment result	(D)	(29,294,638)	1,302,116	(1,846,717)	42,701	(29,796,538)
Unallocated expenses		–	–	–	3,491,211	3,491,211
Finance cost		(399,296)	(14,133)	(42,701)	–	(456,130)
Loss before tax						
- Continued operations						(26,761,457)
Profit before tax						
Assets held for sale						1,287,983
Income tax expense		130,221	–	–	–	130,221
Net loss for the year						(25,343,253)
Assets						
Segment assets	(B)	78,454,282	49,490,666	59,305,600	(52,871,628)	134,378,920
						134,378,920
Liabilities						
Segment liabilities	(C)	64,594,650	41,982,132	8,400,377	(19,065,569)	95,911,590

37. SEGMENTAL REPORTING (CONT'D)

Business segments (cont'd)

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
Other segment information						
Capital expenditure		161,459	165,999	–	–	327,458
Depreciation of property plant and equipment		357,182	201,007	–	–	558,190
Depreciation of investment properties		4,592	–	–	–	4,592
Amortisation of intangible assets and prepaid lease payments		38,536	126,440	–	–	164,976
Other significant non-cash expenses:						
Impairment loss on trade receivables		25,692,437	394,040	–	–	26,086,477
Provision for defect liabilities		616,851	–	–	–	616,851
Write-down of inventories		128,495	–	–	–	128,495

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
31 December 2011						
Revenue						
Sales to external customers		46,633,168	10,000,444	–	–	56,633,612
Inter-segment sales	**(A)**	–	26,033	–	(26,033)	–
Total Revenue		46,633,168	10,026,477	–	(26,033)	56,633,612
Results						
Segment result	**(D)**	(4,646,454)	2,121,406	–	(4,779)	(2,529,827)
Finance cost		(399,747)	(16,837)	–	–	(416,584)
Loss before tax						(2,946,411)
Income tax expense						–
Net loss for the year						(2,946,411)
Assets						
Segment assets	**(B)**	148,395,923	47,790,138	–	(46,109,832)	150,076,229
						150,076,229
Liabilities						
Segment liabilities	**(C)**	80,887,216	41,109,190	–	(22,402,120)	99,594,286

37. SEGMENTAL REPORTING (CONT'D)

Business segments (cont'd)

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
Other segment information						
Capital expenditure		46,928	97,737	–	–	144,665
Depreciation of property plant and equipment		377,719	208,162	–	–	585,881
Depreciation of investment properties		5,267	–	–	–	5,267
Amortisation of intangible assets and prepaid lease payments		139,024	444,267	–	–	583,291
Recovery of provision for doubtful debts		117,939	–	–	–	117,939
Other significant non-cash expenses:						
Impairment loss on trade receivables		2,190,077	1,958	–	–	2,192,035
Provision for defect liabilities		849,026	–	–	–	849,026
Provision for compensation loss		2,487,237	–	–	–	2,487,237
Write-down of inventories		451,176	–	–	–	451,176

The Group's revenue is derived from numerous customers and there is no one major customer that contributes significantly to the revenue during the current financial year.

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements as follows

A Inter-segment revenues are eliminated on consolidation.

B Inter-segment assets are eliminated on consolidation.

C Inter-segment liabilities are eliminated on consolidation.

D The adjustments relate to share of associate's profit/loss by Group and impairment loss on available-for-sale financial assets in the Company.

38. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSS INTO REALISED AND UNREALISED

The breakdown of the accumulated loss of the Group and of the Company as at 31 December 2012 into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total accumulated loss as at reporting date may be analysed as follows:

	Group 2012 RM	Company 2012 RM
Total accumulated losses		
- Realised	**(36,170,069)**	**(12,585,467)**
- Unrealised	**(412,988)**	**–**
	(36,583,057)	**(12,585,467)**
Less: Consolidation adjustments	**(5,855,235)**	**–**
Accumulated loss as per financial statements	**(42,438,292)**	**(12,585,467)**

LIST OF PROPERTIES
AS AT 31 DECEMBER 2012

Location	Decription / 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 31.12.2011 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	10 years / Freehold	7,500	05 October 2012
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	10 years / Freehold	5,500	05 October 2012
Lot 1888 College Heights Garden Resort Nilai Seremban	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	150	28 August 1998
Unit no. 3F-47 3rd Floor Lot 1 JB Water Front City Jalan Tun Sri Lanang 80000 Johor Bahru Johor	Shop lot for investment purposes	N/A	475	23 February 2001	10 years / Leasehold for 99 years expiring on 4 December 2012 2095	88	20 February 1993
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	14 years / Freehold	135	21 October 1993
Metronic Microsystem (Beijing) Company Limited PRC (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	9 years / Leasehold for 50 years expiring on 5 February 2052	8,835	05 February 2013

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2013

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000 divided into 1,000,000,000 ordinary shares of RM0.10 each
Issued and Fully Paid-up Capital	:	RM63,490,690.30 divided into 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

SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
636	Less than 100	32,118	*
207	100 to 1,000	85,535	0.01
1,162	1,001 to 10,000	8,239,984	1.33
2,420	10,001 to 100,000	103,420,917	16.28
611	100,001 to less than 5% of issued shares	427,960,087	67.40
2	5% and above of the issued shares	95,168,262	14.99
5,038	**TOTAL**	**634,906,903**	**100.00**

* Less than 0.01%

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Abd. Gani bin Yusof	60,833,662	9.58
2.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Lian Hong*	34,334,600	5.41
3.	HDM Nominees (Asing) Sdn Bhd *DBS Vickers Secs (S) Pte Ltd for Firstlink Capital Pte Ltd*	29,000,000	4.57
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Lian Hong*	19,189,200	3.02
5.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Ng Tek Che	18,489,542	2.91
6.	Liew Chee How	12,200,000	1.92
7.	Digistar Corporation Berhad	11,965,000	1.88
8.	Tan Lay Yong	10,600,000	1.67
9.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Lian Hong*	9,138,500	1.44
10.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For Credit Suisse (SG BR-TST-ASING)*	8,800,000	1.39
11.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd*	7,476,800	1.18
12.	Citigroup Nominees (Asing) Sdn Bhd *GSI for Avestra Asset Management Limited*	7,417,600	1.17
13.	Abd. Gani Bin Yusof	7,135,662	1.12
14.	Affin Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chung Kin Chuan*	6,000,000	0.95
15.	M & A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Choon Nee Siew*	5,300,000	0.83

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 30 APRIL 2013

	Name of Shareholders	No. of Shares Held	Percentage (%)
16.	Chan Lay Sing	5,000,000	0.79
17.	Lee Siew Kim	5,000,000	0.79
18.	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Billy Sim Boon Hui*	5,000,000	0.79
19.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	4,550,000	0.72
20.	Amsec Nominees (Tempatan) Sdn Bhd *Ling Yew Kong*	4,355,000	0.69
21.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd*	4,000,000	0.63
22.	Yeat Siaw Ping	3,826,900	0.60
23.	Kamaruzzaman Bin Shariff	3,714,285	0.59
24.	Md Wira Dani Bin Abdul Daim	3,714,285	0.59
25.	Lim Thiam Huat	3,500,000	0.55
26.	ECML Nominees (Tempatan) Sdn. Bhd *For Ng Swee Aun*	3,350,000	0.53
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Hong*	3,304,000	0.52
28.	Genting Perwira Sdn Bhd	3,064,285	0.48
29.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Phoa Boon Ting*	3,060,000	0.48
30.	Chew Chee Hong	3,000,000	0.47
	TOTAL	306,319,321	48.25

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		NO. OF SHARES HELD			
	NAME OF SHAREHOLDERS	DIRECT	%	INDIRECT	%
1.	Abd. Gani bin Yusof	67,969,324	10.71	–	–
2.	Tan Lian Hong	56,453,700	8.89	–	–
3.	Ling Yew Kong	4,355,000	0.69	31,000,000*	4.88

Notes:
* Deemed interest by virtue of his direct shareholdings in Firstlink Capital Pte Ltd and Firstlink Investments Corporation Limited pursuant to Section 6A of the Companies Act, 1965

DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

		NO. OF SHARES HELD			
	NAME OF DIRECTORS	DIRECT	%	INDIRECT	%
1.	Ling Yew Kong	4,355,000	0.69	31,000,000*	4.88
2.	Tan Kian Hong	14,405,400	2.27	–	–
3.	Ng Wee Peng	600,000	0.09	–	–
4.	Dato' Dr. Chin Yew Sin	500,000	0.08	–	–
5.	Lew Cheong Teck	25,000	0.00	–	–
6.	Khoo Siang Hsi @ Khoo Chen Nan	–	–	–	–

Notes:
* Deemed interest by virtue of his direct shareholdings in Firstlink Capital Pte Ltd and Firstlink Investments Corporation Limited pursuant to Section 6A of the Companies Act, 1965

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting ('10th AGM') of **METRONIC GLOBAL BERHAD** will be held at No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on **Tuesday, 25 June 2013** at **11.00 a.m.** for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Directors and Auditors Reports thereon. **(Ordinary Resolution 1)**

2. To approve the payment of Directors' fees of RM156,675.00 for the financial year ended 31 December 2012. **(Ordinary Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 79 of the Company's Articles of Association and being eligible, offers themselves for re-election:-

   i) Ng Wee Peng **(Ordinary Resolution 3)**
   ii) Khoo Siang Hsi @ Khoo Chen Nan **(Ordinary Resolution 4)**
   iii) Lew Cheong Teck **(Ordinary Resolution 5)**
   iv) Tan Kian Hong **(Ordinary Resolution 6)**
   v) Dato' Mazlin bin Md Junid **(Ordinary Resolution 7)**
   vi) Dato' Dr. Chin Yew Sin **(Ordinary Resolution 8)**
   vii) Ling Yew Kong **(Ordinary Resolution 9)**

4. To re-appoint Messrs CHI-LLTC as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 10)**

AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following resolutions:

5. **Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965** **(Ordinary Resolution 11)**

   "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten percentum (10%) of the total issued and paid up share capital of the Company for the time being and the Directors be and also empowered to obtain approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. **Proposed Amendments to Articles of Association** **(Special Resolution)**

   "THAT, subject to the relevant approvals being obtained, the proposed amendments to the Articles of Association of the Company in the manner as set out in Appendix 1 to this Annual Report ('Proposed Amendments') be and are hereby approved and in consequence thereof, the new set of Memorandum and Articles of Association incorporating all Proposed Amendments be adopted **AND THAT** the Director and Secretary be and are hereby authorised to sign, do and execute all relevant documents, acts and things as may be required for or in connection with and to give effect to the Proposed Amendments with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board
METRONIC GLOBAL BERHAD

JENNY WONG CHEW BOEY (MAICSA 7006120)
WONG YUET CHYN (MAICSA 7047163)
Company Secretaries
Kuala Lumpur
3 June 2013

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 in his behalf.

2. A proxy may but need not be a member of the Company and the provisions 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 Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

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 proxies.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing the proxy must be deposited at the registered office at 10-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 19 June 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 10th AGM.

NOTES ON SPECIAL BUSINESS

1. Ordinary Resolution 11 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 11, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company ("Renewed Mandate"). This Renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no shares had been issued and alloted since the general mandate granted to the Directors at the last Annual General Meeting held on 22 June 2012 and this authority will lapse at the conclusion of the 10th AGM of the Company.

The Renewed Mandate will provide flexibility to the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects and/or working capital and/or acquisitions.

2. Special Resolution - Proposed Amendments to the Articles of Association

The proposed Special Resolution if passed, will result the Company's Articles of Association being updated in line with the amendments made to Bursa Malaysia Securities Berhad Main Market Listing Requirements.

APPENDIX I

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The rationale for the proposed amendments to the Articles of Association ('Articles') of the Company is in line with the amendments prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details of the proposed amendments to the Articles of the Company are as follows:-

Article No.	Existing Articles	Proposed Articles		Remark
2	-	**Words**	**Meanings**	Pursuant to Paragraph 7.21(2) of the amended Main Market Listing Requirements ("MMLR") dated 22 September 2011.
		Exempt Authorised Nominee	**An authorised nominee defined under the Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act**	
8	Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares shall, before issue, be offered to members who at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share which (by reason of the ratio which the new shares bear to the shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.	Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares **or other convertible securities** shall, before issue, be offered to members who at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares **or securities** to which they are entitled. The offer shall be made by notice specifying the number of shares **or securities** offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares **or securities** offered, the Directors may dispose of those shares **or securities** in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share **or security** which (by reason of the ratio which the new shares **or securities** bear to the shares **or securities** held by persons entitled to an offer of new shares **or securities**) cannot, in the opinion of the Directors, be conveniently offered under this Article.		Re-Emption Rights

Article No.	Existing Articles	Proposed Articles	Remark
71	A member may appoint more than two (2) proxies to attend on the same occasion. A proxy may but need not be a member. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the registrar of companies. If a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.	**A member of the Company entitled to attend and vote at this meeting may appoint up to two (2) proxies to attend and vote in his stead. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.**	Pursuant to Paragraph 7.21A(1) and 7.21A(2) of the amended MMLR dated 22 September 2011.
71A	Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. **Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account') there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.**	Pursuant to Paragraph 7.21(1) and (2) of the amended MMLR dated 22 September 2011.
73 Notes	-	**1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.** **2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.**	Pursuant to Paragraph 7.21A(1) and 7.21A(2) of t he amended MMLR dated 22 September 2011.

Article No.	Existing Articles	Proposed Articles	Remark
		3. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account') there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. **4. Where a member is an authorised nominee as defined under the Central Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.** **5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.** **6. To be valid the proxy form duly completed must be deposited at the registered office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.**	Pursuant to Paragraph 7.21(1) and (2) of the amended MMLR dated 22 September 2011.
75	A proxy shall be entitled to vote on a show of hands on any question at any general meeting.	A proxy shall be entitled to vote on a show of hands **or on a poll** on any question at any General Meeting.	Pursuant to Paragraph 7.21A(1) and 7.21A(2) of the amended MMLR dated 22 September 2011.
86.	An election of Directors shall take place each year. All Directors (except a managing director) shall retire from office at least once every three (3) years, but shall be eligible for re-election.	**At the first Annual General Meeting of the Company all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year an election of directors shall take place and one-third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. A retiring director shall retain office until the close of the General Meeting at which he retires.**	Eligibility of Rotation of Directors

Article No.	Existing Articles	Proposed Articles	Remark
99.	The Directors may meet together for the dispatch of business adjourn and otherwise regulate their meetings as they think fit and may determine the quorum necessary for the transaction of business. Until otherwise determined two (2) Directors shall form a quorum. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote.	The Directors may meet together for the dispatch of business adjourn and otherwise regulate their meetings as they think fit and may determine the quorum necessary for the transaction of business. Until otherwise determined two (2) Directors shall form a quorum. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote **except where the quorum is made up of only two (2) Directors or where only two (2) Directors are competent to vote on the question at issue.**	Pursuant to Paragraph 7.32 of the MMLR
131.	Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the registered address of the member of persons entitled. Every such cheque shall be made payable to the order of the person to whom it is sent. Subject to the provision of the unclaimed Moneys Act 1965, all dividends unclaimed for one year after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed. No unpaid dividend or interest shall bear interest as against the Company.	**Any cash distributions including dividend, interest, profit rates, income distributions, capital repayment or other money payable in cash in respect of securities may be paid by cheque or warrant sent through the post directed to the registered address of the Holder who is named on the Register of Members or the Record of Depositors or to such person and to such address as the Holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, nothwitstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.**	Pursuant to Paragraph 8.26A of the MMLR
136.	The Directors shall cause accounting records to be kept in accordance with the Act. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed six (6) months.	The Directors shall cause accounting records to be kept in accordance with the Act. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed **four (4)** months.	To regularise the Bursa Requirement

METRONIC

Metronic Global Berhad (632068-V)

Incorporated in Malaysia

CDS Account No.	-	-
No. of Shares Held		

FORM OF PROXY

I/We____ (NRIC No./Passport No./Co No _________________________)
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

being a member/members of **METRONIC GLOBAL BERHAD**, hereby appoint ___________________________________

____ (NRIC No./Passport No. ______________________________)
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

or failing him ___________________________________ (NRIC No./Passport No. _________________________________)
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Tenth Annual General Meeting ('10th AGM') of the Company to be held at **No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan** on **Tuesday, 25 June 2013 at 11.00 a.m.** and at any adjournment thereof.

ORDINARY RESOLUTION		FOR	AGAINST
1.	Receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Directors' and Auditors' Reports thereon		
2.	Payment of Directors' Fees		
3.	Re-election of Ng Wee Peng		
4.	Re-election of Khoo Siang Hsi @ Khoo Chen Nan		
5.	Re-election of Lew Cheong Teck		
6.	Re-election of Tan Kian Hong		
7.	Re-election of Dato' Mazlin bin Md Junid		
8.	Re-election of Dato' Dr. Chin Yew Sin		
9.	Re-election of Ling Yew Kong		
10.	Re-appointment of Auditors		
11.	Authority to issue shares under Section 132D of the Companies Act, 1965		
SPECIAL RESOLUTION			
Proposed Amendments to the Articles of Association of the Company			

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

Dated this _______________ day of __________________ 2013.

____
Signature(s) of member(s)

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 in his behalf.
2. A proxy may but need not be a member of the Company and the provisions 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 Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
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 proxies.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing the proxy must be deposited at the registered office at 10-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 19 June 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 10th AGM.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
METRONIC GLOBAL BERHAD (632068-V)
No. 10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

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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

www.metronic-group.com