CHAIRMAN'S STATEMENT

INDUSTRY AND OPERATING ENVIRONMENT OVERVIEW

Malaysia's economy is projected to have a conservative growth rate of 4.5% to 5.5% for year 2014.The humble growth outlook is mainly due to risk from global economy and external factors.

In 2014, the International Monetary Fund forecasts global growth rate at 3.7%, a significant improvement compared to 3.0% estimated last year and moving closer to world potential output growth. This reflects an upward revision by 0.1 percentage point in global growth estimate for 2013 and forecast for 2014.

While recovery in the key advanced economies is a good thing to happen, it also comes with a threat of financial market turbulence and elevated volatility in financial markets, as seen recently in June and December last year.

In 2013, the US Fed had announced to reduce its direct liquidity injection through bond purchases on staggered basis 2014, resulting in rising long-term bond yields in the US and Malaysia as well while ringgit again saw sharp volatility and depreciated against US dollar along with other regional currencies.

As such, with weakening domestic economic fundamentals, external shocks need be managed carefully and in a prudent manner. Headline inflation is on the uptrend, rising persistently from the lowest of 1.2% in December 2012 to 2.6% year on year in September 2013. This is primarily attributed to higher food and energy prices. With the full scale implementation of minimum wages and forthcoming GST implementation on 1st April 2015, Malaysia business communities need to be extra vigilant while adopting new measures and strategies to avoid financial instability.

Construction sector could see slower growth at 10% compared with 10.9 % in 2013, as the completion of several large civil engineering projects more than offset the progress of existing projects in the transport, utility and oil and gas sectors.

The service sector will be one of the main key drivers to the overall growth. It is expected to expand 3.5% compared to 3.4% in 2013.

(Source:Bank Negara Annual Report 2013 and reports from Malaysian Institute of Economic Research dated 4/12/2013 and 28/1/2014)

FINANCIAL REVIEW

The Group recorded a revenue of RM33.80 million for the financial year ended 31 December 2013, representing a decrease of RM12.80 million or 27% compared to the revenue of RM46.60 million for the previous financial year. The unfavorable performance was mainly attributed to the loss of ICT support services revenue generated from Metronic iCare Sdn bhd ("MiCare") resulting in lower revenue materialized in 2013. The Company had disposed off MiCare on 24 April 2013.

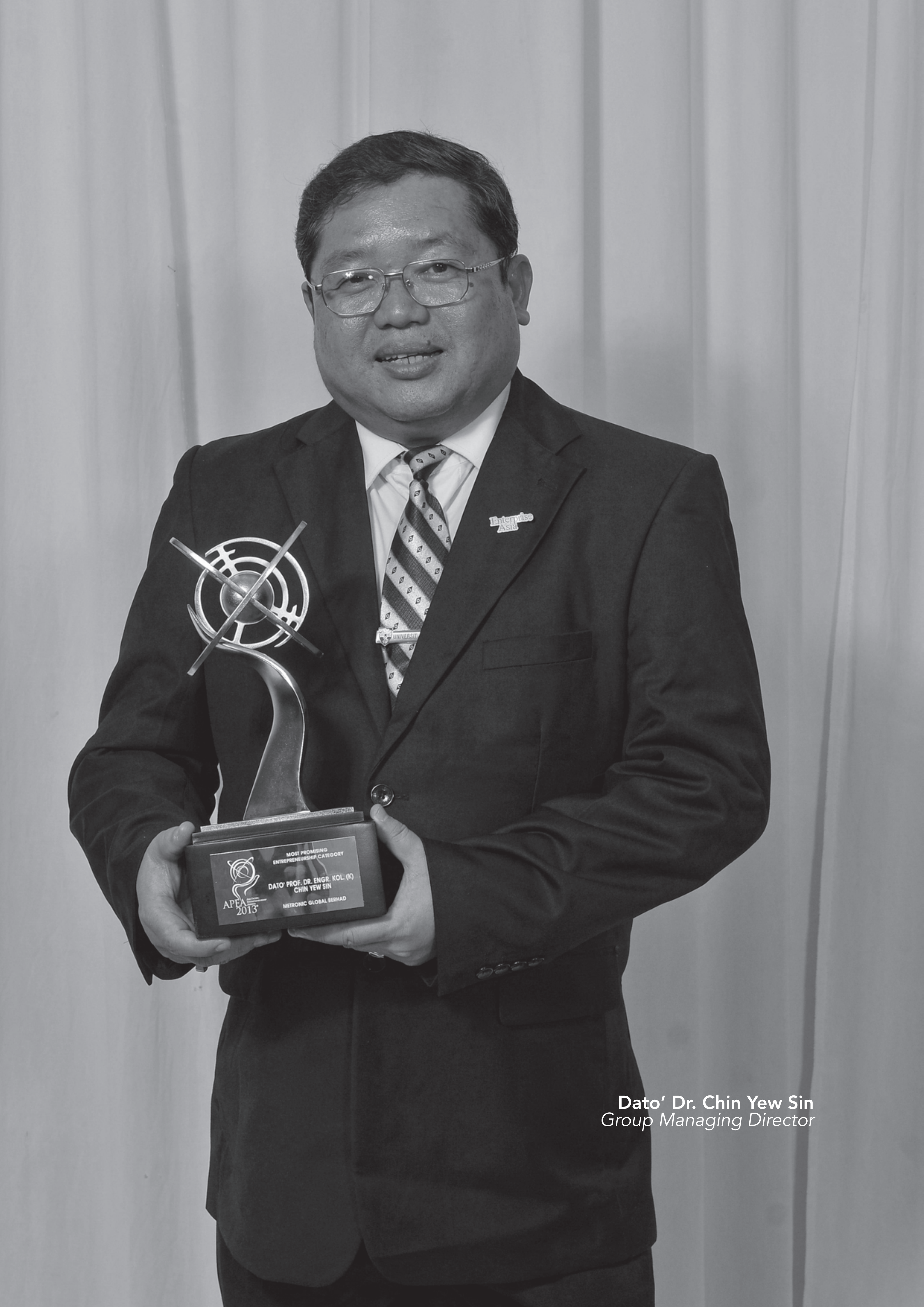
APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my sincere appreciation to my fellow directors Dato' Dr. Chin Yew Sin, Mr. Tan Kian Hong, Mr. Khoo Siang Hsi @ Khoo Chen Nan and Mr. Lew Cheong Teck for their valuable insights, guidance and leadership which had strengthen the board's decision making process.

I would also like to thank our shareholders, customers, business associates, bankers and other stakeholders for their unwavering support. Our appreciation also goes to our employees for their dedication and commitment. We look forward to their continuing partnership and support to propel the Group forward in the coming years.

On behalf of the Board

Ng Wee Peng
Chairman



Dato' Dr. Chin Yew Sin
Group Managing Director

GROUP MANAGING DIRECTOR’S STATEMENT

Operation’s Highlights

Metronic has been well known in providing engineering solutions in relation to Intelligent Building Management System (”IBMS”) and Integrated Security Management System (”ISMS”).Given the cautious economic outlook, the Group will continue to focus on these core businesses as key drivers for the company growth. Nevertheless, the management will also explore new business opportunities in a prudent manner to develop new income streams for the Group in new areas.

Metronic remains positive on its prospect and will continue to leverage on its competitive strengths in order to achieve its vision: To be an internationally recognized, leading engineering and technology’s total solutions provider.

In this highly competitive business environment, the management is committed to continuously developing new talents and improve business efficiency in order to steer the company through the various challenges arising from rapidly changing economic environment.

The Group had achieved a Profit before tax of RM5.1 million for the financial year ended 31 December 2013 compared to a loss before taxation of RM26.8 million for the previous financial year, representing an improvement of RM31.86 million or 119%. This is mainly due to among others, gains from disposal of MiCare of RM6.1 million in the financial year ended 31 December 2013, as well as provisions for impairment loss of its long outstanding trade receivables due from MH Project Sdn Bhd of RM25.60 million in the previous financial year.

Core Business : Engineering Division

Engineering Division remains the major contributor which accounted for 92% of the Group’s revenue.

During the financial year 2013, the Group successfully secured IBMS and ISMS projects which include:

- MATRADE Convention Centre.
- Imperial Mix-Development Puteri Harbour, Johor.
- KL Sentral Lot B and Lot D.
- Top Glove HQ Office, Shah Alam, Selangor.
- IOI City Mall Selangor.
- East Coast’s Mall, Kuantan, Pahang.
- Double Tree Hotel, Melaka.
- Monash University, Petaling Jaya.
- University of Reading, Educity Nusajaya, Johor.
- Summer Suites, Solaris.
- UiTM, Seremban
- Komtar, Johor Bahru

New Businesses to improve the Group’s Income Streams for the Years to Come

(a) Property Development;
(b) Fertilizer and
(c) Intelligent HealthCare Instrument Divisions

The company has established three new business divisions to increase the group’s income streams during 2013. These include businesses related to property development, fertilizer and Intelligent Healthcare Instrument. The company believes that these three divisions will contribute positively in the future with the support from experienced and committed staff force.

GROUP MANAGING DIRECTOR'S STATEMENT (CONT'D)

CORPORATE DEVELOPMENTS

The corporate development that took place during the financial year and up to the date of this report is as follow:

(i) Disposal of Subsidiary

MGB, 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 Specialty Solutions Holdings Pte Ltd ("the Purchaser" or "ZPSSH") to dispose off its entire equity interest in MiCare to the Purchaser for a total consideration of RM10,199,700. The management's plan to sell MiCare is due to strategic decision to place greater focus on the Group's core operations. The transaction had been completed on 24 April 2013.

(ii) Private placement

On 10 July 2013, Bursa Malaysia Securities Berhad ("Bursa Securities") had approved the listing of and quotation for up to 63,490,600 new ordinary shares of RM0.10 each in MGB to be issued pursuant to the private placement on the Main Market of Bursa Securities.

On 5 August 2013, MGB has fixed the issue price of first tranche of private placement comprising 36,000,000 Placement Shares of the Company. The issue price of RM0.10 per Placement Share represent a discount of approximately RM0.00093 or 0.93% from the five (5) days' weighted average market price of MGB from 29 July 2013 to 2 August 2013 of approximately RM0.10093 per share.

On 23 August 2013, 9.00 a.m, Friday, a total of 36,000,000 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad making the completion of first tranche of Private Placement.

Second tranche of Private Placement comprises 20,000,000 Placement Shares were successfully issued to independent third party investors on 17 March 2014, 9.00 a.m, Monday. The issue price of RM0.10 per Placement Share represents a premium of approximately RM0.0019 or 1.94% from the five (5) days' weighted average market price of MGB from 26 February 2014 to 4 March 2014 of approximately RM0.0981 per share.

On 17 April 2014, 9.00 a.m. Thursday, third and final tranche of Private Placement comprises 7,490,600 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The last tranche of Private Placement of RM0.10 per Placement Share represents a discount of approximately RM0.0014 or 1.4% from the five(5)-day weighted average market price of MGB from 31 March 2014 to 4 April 2014 of approximately RM0.1014 per share.

Dato' Dr. Chin Yew Sin
Group Managing Director

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 accountable to MGB's members for the corporate governance and performance of MGB's Group and committed to achieve the highest standards of business integrity, ethics and professionalism across the Group's activities. The Board is adopting the principles and best practices of the Malaysia Code on Corporate Governance 2012 ("the Code") and Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

1. Establishment of Clear Roles & 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.

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 in 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.

The Board had approved and formalized on 21 April 2014 a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set out in MCCG 2012. The Board Charter is available on the Company's Corporate website at www.metronic-group.com.

The Board is responsible and accountable to retains full and effective control over the performance and affairs of the Group. All members of the Board are expected to show good stewardship and act in professional manner.

The principal responsibilities of the Board include the following;

- Review and adopting the group corporate strategy, plan and directions for the Company including its subsidiaries
- Reviewing the relevance, appropriateness and integrity of the internal control system of the Group
- Promoting effective communication between shareholders, the Company and relevant stakeholders.
- Continuous reviewing the soundness and adequacy of Group's financial system, management information system and internal control system
- Monitoring the conduct of Group's business and ensure strictly compliance to best practices and principles of corporate governance.
- Formulating Group's annual business plans and the medium-term and long-term strategy plans.
- Constructively challenging and contributing to the development of the business strategies and direction of the Company
- Ensuring that the culture of accountability, transparency, integrity, professionalism and responsible conduct is consistently adhered to by the Company

2 Strengthen Composition

The Board currently comprises 7 members, of whom five (5) members of the Board are Independent Non-Executive Directors. This is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities which requires at least two (2) directors or 1/3 of the Board of Directors, whichever is higher, to be independent.

The Board comprises professionals and entrepreneurs drawn from varied backgrounds bringing in considerable knowledgeable, 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2 Strengthen Composition (cont'd)

(a) 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 mix of skills, experience and other competencies and for recommending the appointment of new directors to the Board.

The Committee comprised five (5) Independent Non-Executive Directors. The members are as follow;

Director	Designation
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
Datuk Tan Choon Hwa, JP, JMK	Member, Independent Non-Executive Director
Chin Yoon Siong	Member, Independent Non-Executive Director

The following are the terms of reference of the Nomination Committee;

- To oversee and evaluate the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies and adequacy of balance between Executive Directors, Non Executive Directors and independent Directors by performing annual review.
- To ensure that all Directors receive enough and appropriate training programs in order to keep abreast with changes in new statutory and regulatory requirements.
- To evaluate, access and recommend to the Board, the terms of reference of Board Committees and review the adequacy of the committee structure of the Board's Committee.
- To oversee the succession planning, appointment/reappointment and performance evaluation of the key management staff.
- To evaluate a person's ability to discharge his/her responsibilities/functions as expected
- To ensure the Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the Company's operations
- To ensure all the Directors continue to uphold the highest governance standards in their conduct.

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

(b) 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 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. Fees for Independent Directors would be determined by the full Board with the approval from shareholders at the Annual General Meeting.

Presently the committee comprises five (5) members, five (5) of whom are Independent Non-Executive Directors. The members are:

Director	Designation
Lew Cheong Teck	Chairman, Independent Non-Executive Director
Ng Wee Peng	Member, Independent Non-Executive Director
Khoo Siang Hsi @ Khoo Chen Nan	Member, Independent Non-Executive Director
Datuk Tan Choon Hwa, JP, JMK	Member, Independent Non-Executive Director
Chin Yoon Siong	Member, Independent Non-Executive Director

The size and composition of the board are adequate and suitable for the Company to provide appropriate balance of executive, independent and non-independent Directors. The Directors come from diverse background with expertise and skills in Engineering, accounting, information technology, industry, audit, tax and legal.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2 **Strengthen Composition** (cont'd)

(b) **Remuneration Committee** (cont'd)

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

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

Ringgit Malaysia	Executive Director	Non-Executive Director	Total
Fees*		82,714	82,714
Salaries and other emoluments	544,434		544,434
Total	544,434	82,714	627,148

* 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 Director	Non-Executive Director
Below RM50,000	–	4
RM50,000 - RM100,000	–	–
RM100,001 - RM150,000	1	–
RM150,001 - RM200,000	1	–
RM200,001 - RM250,000	–	–
RM250,001 - RM300,000	–	–
RM300,001 - RM350,000	–	–

3. **Reinforce Independence**

The Board undertakes an assessment of its Independent Directors annually. The Board is in compliance with the Code that the tenure of Independent Directors do not exceed accumulative term of nine years. Upon completion of nine years, an independent may continue to serve on the Board subject to the director's re-designations as 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.

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

There is clear division of responsibility between the Non-Executive Chairman and the Managing Director to ensure there is a balance of power and authority. The Board is currently led by a Managing Director 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 Chairman and the Managing Director of the Company since these two positions are held by separate individuals.

The Board comprises of a majority of independent directors to ensure balance of power and authority to the Board.

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4. Foster Commitment

The Directors are committed to devote sufficient time to carry out their responsibilities. Directors should notify the Chairman before accepting any directorship. The notification should include an indication of time they will spend 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 require 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 significant business and interests and to indicate broadly the time spend on such commitment, other than the time spend on the Company.

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

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

During the year under review, 6 board meetings were held and the details of the attendance of each Director are as follow;

Name of Directors	No of meeting attended	%
Ling Yew Kong Executive Chairman (appointed on 17 December 2012) (resigned on 24 June 2013)	3/3	50
Liew Chee How Executive Director (appointed on 17 December 2012) (resigned on 28 February 2013)	1/1	100
Dato' Dr Chin Yew Sin Managing Director	6/6	100
Tan Kian Hong Executive Director (appointed on 8 February 2013)	5/6	83.3
Ng Wee Peng Independent Non-Executive Chairman	6/6	100
Lew Cheong Teck Independent Non-Executive Director	5/5	100
Khoo Siang Hsi @ Khoo Chen Nan Independent Non-Executive Director	5/6	83.3
Dato' Mazlin bin Md Junid Independent Non-Executive Director (appointed on 21 May 2013) (resigned on 24 June 2013)	1/1	100

4. Foster Commitment (cont'd)

The Board is provided with agenda together with a set of Board paper prior to the Board meetings. The Board papers include minutes of previous meeting, quarterly financial results, and progress reports of Group Businesses, strategies 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 enable effective discharge 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 has 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.

The Board believes that the Directors should continue to attend the training from time to time and accordingly shall and has provided and encouraged them to attend seminars, workshops, conferences and other training programs to keep abreast with new developments in corporate matter as well as industry practices for them to discharge their duties and responsibilities more effectively.

All the Directors have attended the Mandatory Accrediation Program except for Mr Khoo Siang Hsi @ Khoo Chen Nan who has attended Seminar on Anti-Avoidance and Persidangan Cukai Malaysia during the financial year.

5. Uphold integrity in financial reporting

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 under review, the Committee comprised of the following Independent Non-Executive Directors.

The attendances of Members at the Audit Committee held in 2013 are reflected as follows;

Name of Committee Members	Designation	No. of Meetings Attended
Khoo Siang Hsi @ Khoo Chen Nan	Chairman, Independent Non-Executive Director	4/5
Ng Wee Peng	Member, Independent Non-Executive Director	5/5
Lew Cheong Teck	Member, Independent Non-Executive Director	4/4
Dato' Dr Chin Yew Sin (appointed on 18 January 2013 and resigned on 7 March 2013)	Member, Independent Non-Executive Director	1/1

The Audit Committee will review and monitor the suitability and independent 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 24 to 26 of the Annual Report.

6. **Recognize and manage risks**

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 of members amongst the senior management and is headed by Group Managing Director, Dato Dr Chin Yew Sin, 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 to carry out the internal audit function. The internal audit function is to provide an independent assurance to the Board. 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 system and the management information systems including system for compliance with applicable law and regulations.

7. **Strengthen relationship between company and shareholders**

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

The Company's Annual Meeting provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issue 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 other member 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 detailed results showing the number of votes cast for and against each resolution. The Board also encourages 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 disclosures are as follows;

(i) Periodical disclosure, in the form of quarterly 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 or comment or proposal can channel them through e-mail or contact the following person:

Name: Dato' Dr. Chin Yew Sin
Contact number: 03-7847-2111
E-mail address: cys@metronic-group.com

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

8. **Accountability and audit**

(a) 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 responsibilities 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 scrutinize information for disclosure to ensure its timeliness, accuracy, adequacy and compliance to the appropriate accounting standards.

(b) Risk Management and Internal Control

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

The Statement of Risk Management and Internal Control provides an overview of the states of internal control within the Group.

(c) Directors' Responsibilities 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 toward ensuring compliance with applicable accounting standards and statutory requirements. The external and internal 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 the Company and the Group and their results and cash flows for that year.

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

(a) Use appropriate accounting policies and apply them consistently;
(b) Make judgment 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 and 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 2013, the Company and Group have used the appropriate accounting policies and applied them consistently. The Directors are 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.

9 Corporate social responsibility

(a) 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 for Standardization (ISO). Internal Audit is being carried out periodically to ensure continuous adherence to all safety measures is being observed.

(b) 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 Resources Development Fund for selective training to enhance employees' technical and soft skills. It is the Group aspiration that employees of the Group become respected and responsible citizens of society as well as leaders in their respective fields of specializations

(c) Workers' welfare

The Group is a multi-racial organization. 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.

(d) The Environment

The Group recognizes the importance of environmental conservation. The Group has adopted eco-friendly practices in its day to day work in order to minimize the impact of environment. For example, waste and construction debris were disposed at approved dumpsites. Staff and clients are encouraged to fully maximize the benefits of IOT (eg: 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 equipments and lightings via Intelligent Building Management System.

10 Other Information

Utilization of Private Placement Proceeds

On 23 August 2013, 17 March 2014 and 17 April 2014, 36,000,000, 20,000,000 and 7,490,600 new ordinary shares of RM0.10 each were granted listing and quotation on the Main Board of Bursa Malaysia Securities Berhad respectively.

As of 31 May 2014, the Company has fully utilized RM6.3 million of proceed raised, the details is as follows;

Descriptions	Amount Approved RM'000	Utilisation as at 31 May 2014 RM'000	Balance unutilised RM'000
Working Capital	6,259	6,259	0
Share issue expenses	90	90	0
Total	6,349	6,349	0

10 Other Information (cont'd)

Share Buybacks

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

Options, Warrants or Convertible Securities

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

Imposition of Sanctions/Penalties

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

Non-audit Fees

The amount of non-audit fees payable to the external auditors by the Group in respect of the financial year ended 31 December 2013 is RM8,000.

Variation in Results

There is no material variances between the audited results and the previously announced unaudited results for the financial year ended 31 December 2013.

Profit Guarantees

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

Material Contracts

There were no material contracts involving the interest of the Directors and major shareholders of the Company during the financial year.

Contract Relating to Loans

There were no contracts relating to loans by the Company.

COMPLIANCE STATEMENT

In this regard, the Board considers that the Group has complied substantially with the principles and recommendations as stipulated in the MCCG 2012 throughout the financial year ended 31 December 2013.

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 the 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 2013 up to present are as follows :-

Members	Designation
Khoo Siang Hsi @ Khoo Chen Nan	Chairman Independent Non-Executive Director
Ng Wee Peng	Member, Independent Non-Executive Director
Lew Cheong Teck	Member, Independent Non-Executive Director
Dato' Dr Chin Yew Sin *(appointed on 18 January 2013)* *(resigned on 7 March 2013)*	Member, Independent Non-Executive Director
Datuk Tan Choon Hwa *(appointed on 16 May 2014)*	Member, Independent Non-Executive Director
Chin Yoon Siong *(appointed on 16 May 2014)*	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 Committee, shall be an independent Non-Executive Director. The Board shall at all times ensure that the Audit Committee should be financial 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 alternative 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 the office and the performance of the Committee and its members at least once every 3 years.

2) Objective

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

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

3) Authority

The Committee is authorized 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.

AUDIT COMMITTEE REPORT (CONT'D)

B TERMS OF REFERENCE (cont'd)

3) Authority (cont'd)

The Committee is authorized 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 consent 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 5 times during the financial year. The Audit Committee met twice with the external auditors without the presence of management during the financial year ended 31 December 2013.

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. 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.
ii) 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.
iii) Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
iv) 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
v) 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.
vi) Review the major audit findings and the management's responses during the year with the management, internal and external auditors, including the status of previous audit recommendations.
vii) 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.
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.
x) Discuss problems and reservations arising from the interim and final audit, and any matter the external auditors may wish to discuss (in the absence of management where necessary)
xi) Review the appointment and performance of internal auditors.
xii) 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 raises questions on management's integrity.
xiii) Monitor organizational compliance with statutory and Listing Requirements of Bursa Securities and other legislative and reporting requirements.
xiv) Any other activities, as authorized by the Board.

AUDIT COMMITTEE REPORT (CONT'D)

C. SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

During the financial year ended 31 December 2013, the Audit Committee convened 5 meetings. Details of the attendance of the Committee members are as follows:

Name of Committee Members	Designation	No. of Meetings Attended
Khoo Siang Hsi @ Khoo Chen Nan	Chairman, Independent Non-Executive Director	4/5
Ng Wee Peng	Member, Independent Non-Executive Director	5/5
Lew Cheong Teck	Member, Independent Non-Executive Director	4/4
Dato' Dr Chin Yew Sin (appointed on 18 January 2013 and resigned on 7 March 2013)	Member, Independent Non-Executive Director	1/1

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 the consideration and approval.
ii) Reviewed the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013 and issues arising from the audited 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 report 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.
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 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.
ix) Reviewed the performance of the internal and external auditors and made recommendations to the Board on their reappointment and remuneration.
x) Reviewed the Audit Committee's 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 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 cost incurred for the internal audit function was RM30,000.00 for the financial year 2013. The internal audit function is outsourced to Messrs Grant Thornton Consulting Sdn Bhd, whom is appointed on the 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 M ain 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 2013.

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 Group'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 are 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 is responsible for managing the risks of the operating subsidiary, and the Head of Departments with each operating subsidiary is responsible for managing the risk of his/her respective department as part of their day-to-day duties.

As 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 comprised 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 on internal control.

4. Other Internal Control Process

Apart 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 five (5) 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

4. **Other Internal Control Process** (cont'd)

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

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. **Review of the Statement by External Auditors**

The external auditors have reviewed this Statement on Risk Management & Internal Control for the inclusion in the annual report for the financial year ended 31 December 2013.The external auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether the Statement on Risk Management & Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management &Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statement on Risk Management & Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of risk management and internal control of the Group.

6. **Conclusion**

There was no material of 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 2013.

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, fertilizer and intelligent healthcare instrument.

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
Net profit/(loss) for the year from continuing operations	4,927,536	(8,606,470)
Profit for the year from assets held for sale, net of tax	199,989	–
Net profit/(loss) for the year	5,127,525	(8,606,470)
Net profit/(loss) attributable to:		
Owners of the parent	5,159,986	(8,606,470)
Non-controlling interests	(32,461)	–
	5,127,525	(8,606,470)

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

On 20 August 2013, the Company increased its paid up capital from RM 63,490,690 to RM 67,090,690 by an allotment of 36,000,000 ordinary shares of RM 0.10 each at par for cash via a private placement and for the purpose of increasing the working capital. These new shares rank pari passu with the existing shares of the Company.

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

DIVIDENDS

There were no dividends paid by the Company since the end of 31 December 2012.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2013.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

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

Dato' Dr. Chin Yew Sin	
Tan Kian Hong	
Ng Wee Peng	
Khoo Siang Hsi @ Khoo Chen Nan	
Lew Cheong Teck	
Dato' Mazlin bin Md Junid	(appointed on 21 May 2013 and resigned on 24 June 2013)
Ling Yew Kong	(resigned on 24 June 2013)

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 1.1.2013/ Date of appointment	**During the year Bought**	**Sold**	**As at 31.12.2013**
Direct Interest:				
Dato' Dr. Chin Yew Sin	1,000	526,300	(27,300)	500,000
Ng Wee Peng	600,000	–	–	600,000
Tan Kian Hong	–	19,905,400	–	19,905,400
Lew Cheong Teck	–	25,000	–	25,000

The other director in office at 31 December 2013 had no interest in the ordinary shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss and other 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

(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 in the financial year ended 31 December 2011.

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 timely financial reports are available thereon. The directors has intention to dispose off the investment. The Group and Company's investment were reclassified to available for sale financial assets.

The management are unable to get the latest management/audited financial statements of the investee as at 31 December 2013 to supports its cost of investment and its fair value as required under FRS 136.

On 12 September 2013, the Group and Company had impaired the investee for RM 8,214,389 and subsequently on 31 December 2013 the Company had impaired another RM 2,872,131. Therefore, total impairment for the investee was RM 11,086,520 for the year.

The net carrying amount as at 31 December 2013 for the Group and Company are RM 4,705,981 (2012: RM 15,792,501) and RM 3,052,425 (2012: RM 14,138,945) respectively.

The management assessed the net carrying amount using the management accounts available to the Company.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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

(ii) The Group has long outstanding receivables due from a former related party and certain group of receivables with their carrying amount totalling RM 46,565,420, of which a total impairment of RM 44,450,738 was made in the financial year ended 31 December 2012.

The balance of RM 2,114,682 was fully provided in third quarter ended 30 September 2013, due to notification by the solicitors that the main contractor (MH Project Sdn. Bhd.) had been put into winding-up by the court.

(iii) On 5 October 2012, the Company (which owns 51% equity interest) had entered into a Sale and Purchase Agreement with Zuellig Pharma Solutions Holdings Pte. Ltd. to dispose off its entire equity interest in Metronic iCares Sdn. Bhd. ("MiCares") for a total consideration of RM 10,199,700 subject to adjustment pursuant to the Sale and Purchase Agreement.

Pursuant to MFRS 5, the assets and liabilities of that subsidiary were classified as held for sale, separately from other assets and liabilities in the financial statement.

On 17 April 2013, the shareholders had approved the disposal of MiCares in an Extraordinary General Meeting.

Gain on disposal for this subsidiary for the Group and the Company are RM 6,119,434 and RM 8,820,649 respectively recognised in the current financial year.

(iv) There is a deposit of RM3,000,000 for the joint venture between M-One Country Development Sdn. Bhd. (formerly known as Metronic Mobiles Services Sdn. Bhd.) ("MOCD" or "developer"), a wholly owned subsidiary of Metronic and Northern Paradise Sdn. Bhd. ("landowner") for the development on various parcels of leasehold land measuring approximately 0.5591 acres in the district of Kuala Lumpur.

This deposit is a payment to landowner to secure the original land titles. The land titles will be used as collateral to finance the joint venture project. This deposit shall form part of the Landowner's entitlement under the joint venture agreement.

If the Company fails to submit the applications for the approvals within one (1) year period as provided in the agreement, the Landowner's shall be entitled to forfeit the initial deposit only and shall refund or return to the Company the second deposit or any part thereof which has been paid to the Landowner's.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Significant events subsequent to balance sheet date are disclosed in Note 38 to the financial statement.

AUDITORS

The auditors, Messrs CHI-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: 21 April 2014

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 37 to 104 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 2013 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 39 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: 21 April 2014

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 37 to 104 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 21 April 2014

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 2013 of the Group and of the Company, and the statements of profit or loss and other 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 37 to 104.

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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standard, 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 Company as at 31 December 2013 and of its financial performance and cash flows for the financial year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the 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.

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

Other matters

The supplementary information set out in Note 39 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
AF: 1114
Chartered Accountants

Chong Sai Sin
Partner - 2398/06/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Dated: 21 April 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Note	2013	2012	2013	2012
		RM	RM	RM	RM
Continuing operations					
Revenue	4	**31,048,369**	36,148,472	**–**	–
Cost of sales	5	**(20,430,211)**	(25,178,153)	**–**	–
Gross profit		**10,618,158**	10,970,319	**–**	–
Other income	6	**24,429,100**	7,411,024	**7,829,499**	7,226,880
Administration expenses		**(5,606,929)**	(8,187,724)	**(3,641,238)**	(5,358,373)
Other operating expenses		**(24,194,672)**	(36,498,947)	**(12,794,731)**	(3,680,523)
Loss from operations		**5,245,657**	(26,305,328)	**(8,606,470)**	(1,812,016)
Finance costs	7	**(148,136)**	(456,130)	**–**	(42,701)
Profit/(Loss) before taxation	8	**5,097,521**	(26,761,458)	**(8,606,470)**	(1,854,717)
Income tax expenses	9	**(169,985)**	130,221	**–**	–
Profit/(Loss) for the year					
- continuing operations		**4,927,536**	(26,631,237)	**(8,606,470)**	(1,854,717)
Profit from assets held for sale, net of tax	25	**199,989**	1,287,983	**–**	–
Net profit/(loss) for the year		**5,127,525**	(25,343,254)	**(8,606,470)**	(1,854,717)
Other comprehensive income:					
Available-for-sale financial assets					
- fair value changes	17	**314,823**	3,524,409	**314,823**	3,524,409
- transfer to profit or loss	8(a)	**1,180,258**	(3,893,554)	**1,180,258**	(3,693,091)
- transfer to profit or loss upon disposal		**(1,180,258)**	194,047	**(1,180,258)**	168,682
Revaluation reserve					
- fair value changes		**500,027**	12,613,007	**–**	–
Foreign currency translation		**26,927**	763,984	**–**	–
Other comprehensive (loss)/income for the year, net of tax		**841,777**	13,201,893	**314,823**	–
Total comprehensive loss for the year, net of tax		**5,969,302**	(12,141,361)	**(8,291,647)**	(1,854,717)
Profit/(Loss) attributable to:					
Owners of the parent		**5,159,986**	(25,893,765)	**(8,606,470)**	(1,854,717)
Non-controlling interests		**(32,461)**	550,511	**–**	–
		5,127,525	(25,343,254)	**(8,606,470)**	(1,854,717)
Total comprehensive loss attributable to:					
Owners of the parent		**6,001,763**	(12,691,872)	**(8,606,470)**	(1,854,717)
Non-controlling interests		**(32,461)**	550,511	**–**	–
		5,969,302	(12,141,361)	**(8,606,470)**	(1,854,717)
Profit/(Loss) per share (sen):					
Basic/diluted earnings/(loss) per share - sen	10	**0.79**	(4.08)		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM
Assets			
Non-current assets			
Property, plant and equipment	12	**23,404,329**	22,575,402
Investment properties	13	**367,896**	510,423
Intangible assets	14	**–**	4,877
Investment in subsidiaries	15	**–**	–
Available-for-sale financial assets	17	**13,745,491**	19,976,859
Other investments	18	**94,000**	94,000
Deferred tax assets	19	**8,012,181**	8,079,318
		45,623,897	51,240,879
Current assets			
Inventories	20	**1,788,966**	1,299,421
Trade receivables	21	**12,590,145**	19,729,267
Other receivables	21	**8,911,655**	3,937,049
Short term deposits	23	**5,055,552**	6,100,923
Cash and bank balances	24	**4,309,108**	2,580,715
		32,655,426	33,647,375
Assets classified as held for sale	25	**–**	49,490,666
		32,655,426	83,138,041
Total assets		**78,279,323**	134,378,920

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	26	**67,090,690**	63,490,690
Revaluation reserve	27	**13,113,034**	12,613,007
Foreign currency translation reserve	27	**876,133**	849,206
Available-for-sale reserve	27	**314,823**	–
Accumulated losses	28	**(37,278,306)**	(42,438,292)
		44,116,374	34,514,611
Non-controlling interests		**–**	3,952,719
Total equity		**44,116,374**	38,467,330
Non-current liabilities			
Loans and borrowings	29	**244,597**	38,125
		244,597	38,125
Current liabilities			
Trade payables	30	**10,777,674**	35,710,264
Other payables	30	**17,260,543**	14,174,395
Loans and borrowings	29	**5,829,247**	3,815,549
Provision for taxation		**50,888**	191,125
		33,918,352	53,891,333
Liabilities associated with assets classified as held for sale	25	**–**	41,982,132
Total liabilities		**34,162,949**	95,911,590
Total equity and liabilities		**78,279,323**	134,378,920

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 2013

	Note	Company 2013 RM	2012 RM
Assets			
Non-current assets			
Investment in subsidiaries	15	**35,870,779**	37,249,830
Investment in joint venture	16	**220,850**	220,850
Available-for-sale financial assets	17	**12,091,935**	18,323,303
Other investments	18	**–**	–
		48,183,564	55,793,983
Current assets			
Other receivables	21	**9,670,532**	3,362,664
Cash and bank balances	24	**18,318**	12,845
		9,688,850	3,375,509
Total assets		**57,872,414**	59,169,492
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	26	**67,090,690**	63,490,690
Available-for-sale reserve	27	**314,823**	–
Accumulated losses	28	**(21,191,937)**	(12,585,467)
Total equity		**46,213,576**	50,905,223
Non-current liabilities		**–**	–
Current liabilities			
Other payables	30	**11,658,838**	8,264,269
Total liabilities		**11,658,838**	8,264,269
Total equity and liabilities		**57,872,414**	59,169,492

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 2013

	Attributable to owners of the parent							
	Non-Distributable							
Group	**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**
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 income/(loss)	–	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
At 1 January 2013	63,490,690	12,613,007	849,206	–	(42,438,292)	34,514,611	3,952,719	38,467,330
Total comprehensive income/(loss)	–	500,027	26,927	314,823	5,159,986	6,001,763	(32,461)	5,969,302
Allotment of shares during the year	3,600,000	–	–	–	–	3,600,000	–	3,600,000
Disposal of subsidiary	–	–	–	–	–	–	(3,920,258)	(3,920,258)
At 31 December 2013	67,090,690	13,113,034	876,133	314,823	(37,278,306)	44,116,374	–	44,116,374

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Non-Distributable			
	Share capital RM	**Available-for-sale reserve RM**	**Accumulated losses RM**	**Total equity RM**
Company				
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
At 1 January 2013	63,490,690	–	(12,585,467)	50,905,223
Allotment of shares during the year	3,600,000	–	–	3,600,000
Total comprehensive income/(loss)	–	314,823	(8,606,470)	(8,291,647)
At 31 December 2013	67,090,690	314,823	(21,191,937)	46,213,576

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 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from operating activities				
Profit/(Loss) before taxation from:				
Continued Operations	**5,097,521**	(26,761,458)	**(8,606,470)**	(1,854,717)
Profit from assets held for sale	**199,989**	1,287,983	**–**	–
Adjustments for:				
Loss/(Gain) on disposal of property, plant and equipment (Note 8(a))	**–**	2,253	**–**	–
Loss/(Gain) on disposal of available-for-sale financial assets (Note 8(a))	**1,218,579**	(3,524,409)	**1,218,579**	(3,524,409)
Gain on disposal of investment properties (Note 8(a))	**(187,500)**	–	**–**	–
Unrealised foreign exchange loss (Note 8(a))	**50,846**	159,924	**–**	–
Depreciation of property, plant and equipment				
- Continuing operations (Note 12)	**473,784**	558,190	**–**	–
- Assets held for sale (Note 25)	**55,701**	–	**–**	–
Depreciation of investment properties (Note 13)	**10,027**	4,592	**–**	–
Amortisation of intangible assets				
- Continuing operations (Note 14)	**4,877**	164,976	**–**	–
- Assets held for sale (Note 25)	**21,367**	–	**–**	–
Impairment loss on trade receivables (Note 21(a))	**1,082,678**	26,086,477	**–**	–
Gain on disposal of subsidiary company	**(6,119,434)**	–	**(8,820,649)**	–
Impairment loss/(reversal of impairment loss) on available-for-sale financial assets (Note 8(a))				
- quoted equity instruments	**1,180,258**	(3,893,554)	**1,180,258**	(3,693,091)
- unquoted shares	**11,086,520**	–	**11,086,520**	–
Impairment loss of investment in subsidiaries (Note 8(a))	**–**	–	**–**	3,491,210
Provision for defect liabilities (Note 8(a))	**419,428**	616,851	**–**	–
Write-down of inventories (Note 8(a))	**13,111**	128,495	**–**	–
Finance costs (Note 7)	**151,669**	470,263	**–**	42,701
Interest income (Note 6)	**(200,484)**	(205,457)	**–**	(9,380)
Operating profit/(loss) before working capital changes	**14,558,937**	(4,904,874)	**(3,941,762)**	(5,547,686)
Changes in working capital:				
Inventories	**(502,657)**	(272,347)	**–**	–
Receivables	**32,261,966**	8,752,927	**(7,488,126)**	8,354,500
Payables	**(60,963,261)**	(841,930)	**3,394,569**	3,470,115
Net cash (used in)/generated from operations	**(14,645,015)**	2,733,776	**(8,035,319)**	6,276,929
Taxes refunded	**340,500**	–	**–**	–
Taxes paid	**(573,324)**	(701,953)	**–**	–
Interests paid	**(151,669)**	(470,263)	**–**	(42,701)
Interests received	**200,484**	205,457	**–**	9,380
Net cash (used in)/generated from operating activities	**(14,829,024)**	1,767,017	**(8,035,319)**	6,243,608

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from investing activities				
Subscription of additional shares in subsidiaries	**–**	–	**–**	(13,297,278)
Purchase of additional shares of available-for-sale financial assets	**(9,161,608)**	(859,932)	**(9,161,608)**	(859,932)
Purchase of property, plant and equipment				
- Continuing operations (Note 12)	**(399,607)**	(327,458)	**–**	–
- Assets held for sale (Note 25)	**(183,422)**	–	**–**	–
Purchase of investment properties (Note 13)	**–**	(121,600)	**–**	–
Proceeds from allotment of shares	**3,600,000**	–	**3,600,000**	–
Proceeds from disposal of investment property	**320,000**	–	**–**	–
Proceeds from disposal of available-for-sale financial assets	**3,402,700**	8,274,826	**3,402,700**	7,759,384
Net cash received from disposal of subsidiary company (Note 25)	**699,566**	–	**10,199,700**	–
Net cash generted from/(used in) investing activities	**(1,722,371)**	6,965,836	**8,040,792**	(6,397,826)
Cash flows from financing activities				
Withdrawal of fixed deposits under lien with licensed banks	**–**	723,589	**–**	–
Drawdown of bankers' acceptances	**1,180,287**	7,072,840	**–**	–
Repayment of bankers' acceptances	**–**	(8,421,787)	**–**	–
Repayment of obligation under finance leases and hire purchase	**(33,653)**	(54,000)	**–**	–
Net cash used in financing activities	**1,146,634**	(679,358)	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(15,404,761)**	8,053,495	**5,473**	(154,218)
Effects of foreign exchange rate changes	**816,327**	715,280	**–**	–
Cash and cash equivalents at beginning of the year	**16,172,897**	7,404,122	**12,845**	167,063
Cash and cash equivalents at end of the year (Note 24)	**1,584,463**	16,172,897	**18,318**	12,845
Cash and cash equivalents at the reporting date comprise the following (Note 24):				
Cash and bank balances	**4,309,108**	17,319,792	**18,318**	12,845
Fixed deposits with licensed banks	**–**	800,000	**–**	–
Bank overdrafts (Note 29)	**(2,724,645)**	(1,946,895)	**–**	–
	1,584,463	16,172,897	**18,318**	12,845

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 2013

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 2-1, 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 21 April 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Changes in accounting policies

The accounting policies adopted by the Group are consistent with those of the previous financial year except as follows:

The following MFRSs, Amendments to MFRSs and IC Interpretation have been adopted by the Group during the financial year.

Amendments to MFRS 101	Presentation of Financial Statements (Improvements to MFRSs (2012)
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
MFRS 127	Separate Financial Statements
MFRS 128	Investment in Associate and Joint Ventures
Amendment to IC Interpretation 2 (Improvements to MFRSs (2012))	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1 (Improvements to MFRSs (2012))	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 116	Property, Plant and Equipment (Improvements to MFRSs (2012))
Amendments to MFRS 132	Financial Instruments: Presentation (Improvements to MFRSs (2012))
Amendments to MFRS 134	Interim Financial Reporting (Improvements to MFRSs (2012))
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

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

2.2 Changes in accounting policies (cont'd)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application. The nature of changes in accounting policy are described below:

MFRS 10 Consolidated Financial Statements
MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. MFRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

MFRS 11 Joint Arrangements
MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non Monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation.

Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with MFRSs applicable to the particular assets, liabilities, revenues and expenses.

MFRS 12 Disclosures of Interests in Other Entities
MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements
As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128 Investment in Associate and Joint Ventures
As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investment in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

2.2 Changes in accounting policies (cont'd)

<u>Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</u>
The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets'

Effective for financial periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments Activities

<u>MFRS 9 Financial Instruments: Classification and Measurement</u>

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

2.4 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.

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

2.4 Basis of consolidation (cont'd)

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.

2.5 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.

2.6 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.

2.7 Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

2.7 Associates and joint venture (cont'd)

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised 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/Valuation

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.

Revaluation is made at least once in every five years by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverse a revaluation decrease for the same asset previously recognised as an expenses, in which case, the increase is recognised in the profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised revaluation surplus previously recognised in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

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.

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

2.11 Investment properties (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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

2.14 Financial assets (cont'd)

(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.

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.

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

2.15 Impairment of financial assets (cont'd)

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

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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

2.17 Engineering contracts (cont'd)

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.

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

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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

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.

2.26 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.

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

2.26 Revenue (cont'd)

(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

- 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.

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

2.27 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

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.

2.30 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 Groups 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

(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 2013, the amount of impairment loss recognised for available-for-sale financial assets was RM 11,086,520 (2012: RM Nil).There is a reversal of impairment loss on available-for-sale financial assets of RM1,180,258 (2012: RM3,524,409).

(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.

(ii) 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.

(iii) Deferred tax assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

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

(iv) 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.

(v) 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		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Contract work	**17,617,635**	24,129,189	**–**	–
Maintenance services	**10,005,978**	10,078,097	**–**	–
Sale of equipment	**3,424,756**	1,941,186	**–**	–
Administration and consultancy services	**2,749,720**	10,452,526	**–**	–
	33,798,089	46,600,998	**–**	–
Less: Revenue from assets held for sale (Note 25)	**(2,749,720)**	(10,452,526)	**–**	–
Revenue from continuing operations	**31,048,369**	36,148,472	**–**	–

5. COST OF SALES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Contract costs (Note 22)	**15,274,856**	19,582,782	**–**	–
Maintenance services	**2,723,360**	4,246,082	**–**	–
Cost of equipment sold	**2,431,995**	1,349,289	**–**	–
	20,430,211	25,178,153	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

6. OTHER INCOME

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Dividend income	**164,026**	–	**164,026**	–
Gain on disposal of available-for-sale financial assets	**–**	3,693,091	**–**	3,693,091
Gain on disposal of investment properties	**187,500**	–	**–**	–
Gain on disposal of subsidiary company	**6,119,434**	–	**8,820,649**	–
Interest income	**200,484**	205,457	**64,645**	9,380
Loss on disposal of quoted securities	**(1,218,579)**	–	**(1,218,579)**	–
Miscellaneous income/(charge)	**227,239**	5,159	**(1,242)**	–
Rental income	**315,000**	–	**–**	–
Reversal of provision of cost of completion	**17,314,933**	–	**–**	–
Reversal of provision of defect liabilities	**1,316,757**	–	**–**	–
Write back of provision for doubtful debts	**(196,497)**	–	**–**	–
Write back of impairment of available-for-sale financial assets	**–**	3,524,409	**–**	3,524,409
	24,430,297	7,428,116	**7,829,499**	7,226,880
Less: Other income for assets held for sale (Note 25)	**(1,197)**	(17,092)	**–**	–
Other income from continuing operations	**24,429,100**	7,411,024	**7,829,499**	7,226,880

7. FINANCE COSTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Interest expense on:				
Short term borrowing	**–**	124,319	**–**	42,701
Bank overdraft	**72,543**	208,545	**–**	–
Bankers' acceptances	**73,844**	133,215	**–**	–
Obligation under finance lease	**5,282**	4,184	**–**	–
	151,669	470,263	**–**	42,701
Less: Interest expenses for assets held for sale (Note 25)	**(3,533)**	(14,133)	**–**	–
Finance costs from continuing operations	**148,136**	456,130	**–**	42,701

8. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(a) After charging/(crediting):				
Amortisation of intangible assets (Note 14)	**4,877**	164,976	**–**	–
Auditors' remuneration				
Statutory audits:				
- parent auditors	**100,000**	100,000	**50,000**	50,000
- other auditors	**41,808**	67,604	**–**	–
Other services:				
- parent auditors	**8,000**	8,000	**8,000**	8,000
Depreciation of property, plant and equipment (Note 12)	**473,784**	558,190	**–**	–
Depreciation of investment properties (Note 13)	**10,027**	4,592	**–**	–
Directors' remunerations (Note 8(b))	**990,162**	1,315,042	**505,735**	321,653
Dividend income	**(164,026)**	–	**(164,026)**	–
Foreign exchange loss				
- realised	**45,992**	8,264	**212**	–
- unrealised	**50,846**	159,924	**–**	–
Gain on disposal of subsidiary company	**(6,119,434)**	–	**(8,820,649)**	–
(Gain)/Loss on disposal of property, plant and equipment	**–**	2,253	**–**	–
(Gain)/Loss on disposal of available for-sale financial assets	**1,218,579**	(3,524,409)	**1,218,579**	(3,524,409)
(Gain)/Loss on disposal of investment properties	**(187,500)**	–	**–**	–
Interest income				
- short term deposits	**(200,484)**	(192,325)	**(64,645)**	(9,380)
- loan stocks	**–**	(13,132)	**–**	–
Impairment loss on trade receivables (Note 21(a))	**1,082,678**	26,086,477	**–**	–
Impairment (gain)/loss of investment in available for sale				
- quoted equity instruments	**1,180,258**	(3,893,554)	**1,180,258**	(3,693,091)
- unquoted shares(Note 17)	**11,086,520**	–	**11,086,520**	–
Impairment loss ofinvestment in subsidiaries (Note 15)	**–**	–	**–**	3,491,210
Provision for defect liabilities (Note 22)	**419,428**	616,851	**–**	–
Rental income	**(315,000)**	–	**–**	–
Rental expense	**167,509**	243,608	**12,000**	12,000
Staff costs (Note 8(c))	**11,096,358**	14,147,368	**423,021**	–
Write-down of inventories	**13,111**	128,495	**–**	–

8. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

(b) Directors' remuneration:

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

	Group 2013 RM	Group 2012 RM
(i) Paid by the subsidiaries:		
Company's directors:		
Executive directors' remuneration:		
Fees	**–**	–
Defined contribution benefit	**516**	517
Other emoluments	**121,898**	992,872
Subsidiary directors:		
Executive directors' remuneration:		
Fees	**–**	–
Defined contribution benefit	**620**	–
Other emoluments	**361,393**	–
	484,427	993,389
Directors of the Company (ii)	**505,735**	321,653
Total directors' remuneration	**990,162**	1,315,042

	Company 2013 RM	Company 2012 RM
(ii) Paid by the Company:		
* Executive directors' remuneration:		
Fees	**12,419**	–
Defined contribution benefit	**–**	–
Other emoluments	**423,021**	164,978
	435,440	164,978
Non-executive directors' remuneration:		
Fees	**70,295**	156,675
Total	**505,735**	321,653

* Included remunerations paid to the executive directors, who had resigned in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8. PROFIT/(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	
	2013	**2012**
Executive directors:		
RM100,001 - RM150,000	**1**	1
RM150,001 - RM200,000	**–**	3
RM200,001 - RM250,000	**1**	–
Non-Executive directors:		
Below RM50,000	**3**	5
Past directors:		
Below RM50,000	**–**	1
RM50,001 - RM100,001	**1**	–
RM100,001 - RM150,000	**1**	–

(c) Employee information

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Staff costs (excluding directors' emoluments):				
Salary, wages and bonus	**9,121,912**	11,920,341	**375,355**	–
Defined contribution benefit	**1,183,122**	1,421,630	**45,663**	–
Other staff related expenses	**791,324**	805,397	**2,003**	–
	11,096,358	14,147,368	**423,021**	–

9. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 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		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Malaysian taxation based on the results for the year:				
- Current	**–**	–	**–**	–
- Under/(Over) provision in prior years	**104,119**	(251,532)	**–**	–
Deferred tax (Note 19)				
- Relating to origination and reversal of temporary differences	**163,448**	–	**–**	–
- Over provision in prior year	**(97,582)**	121,311	**–**	–
	169,985	(130,221)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

9. INCOME TAX EXPENSE (CONT'D)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplies by the applicable corporate tax rate for the year ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before taxation:				
Continuing operations	**5,097,521**	(26,761,458)	**(8,606,470)**	(1,854,717)
Taxation at the statutory tax rate of 25% (2012: 25%)	**1,274,380**	(6,690,365)	**(2,151,618)**	(463,679)
Effect of different tax rate in subsidiaries	**(125,082)**	636	**–**	–
Effect of expenses not deductible for tax purposes	**1,208,121**	8,494,104	**4,108,992**	463,679
Effects of temporary differences not recognised	**(121,096)**	–	**–**	–
Effect of income not subject to tax	**(2,072,875)**	(1,804,375)	**(1,957,374)**	–
Under/(Over) provision of tax expense in prior years	**104,119**	(251,532)	**–**	–
Over provision of deferred tax in prior year	**(97,582)**	121,311	**–**	–
	169,985	(130,221)	**–**	–

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.

	2013 RM	2012 RM
Profit/(Loss) from continuing operations	**4,927,536**	(26,631,237)
Add/(Less): Non controlling interests share of results	**130,416**	(1,913)
Profit/(loss) attributable to owner of the parent	**5,057,952**	(26,633,150)
Profit from assets held for sale	**199,989**	1,287,983
Add/(Less): Non controlling interests share of results	**(97,955)**	(548,598)
Profit/(loss) attributable to owner of the parent	**102,034**	739,385
Profit/(loss) attributable to owner of the parent	**5,159,986**	(25,893,765)
Weighted average number of ordinary shares in issue	**646,906,903**	634,906,903
Basic/diluted earnings/(loss) per share - sen		
Profit/(Loss) from continuing operations	**0.78**	(4.19)
Profit from assets held for sales	**0.01**	0.11
	0.79	(4.08)

11. DIVIDENDS

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2013.

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 2013 RM
Cost/Valuation							
At 1 January 2013	9,100,000	4,705,451	9,678,206	84,621	2,544,038	670,128	26,782,444
Additions	–	–	–	293,719	105,888	–	399,607
Written off	–	–	–	(32,193)	–	–	(32,193)
Exchange differences	–	–	905,421	19,802	5,615	12,292	943,130
At 31 December 2013	9,100,000	4,705,451	10,583,627	365,949	2,655,541	682,420	28,092,988
Representing:							
- Cost	1,223,566	4,440,919	5,204,559	365,949	2,655,541	682,420	14,572,954
- Valuation	7,876,434	264,532	5,379,068	–	–	–	13,520,034
	9,100,000	4,705,451	10,583,627	365,949	2,655,541	682,420	28,092,988
Accumulated depreciation and impairment							
At 1 January 2013	–	825,842	739,215	41,998	2,371,482	228,505	4,207,042
Depreciation charge for the year (Note 8(a))	–	118,969	175,871	38,955	102,425	37,564	473,784
Written off	–	–	–	(32,193)	–	–	(32,193)
Exchange differences	–	–	10,042	–	25,981	4,003	40,026
At 31 December 2013	–	944,811	925,128	48,760	2,499,888	270,072	4,688,659
Net carrying value							
At 31 December 2013	9,100,000	3,760,640	9,658,499	317,189	155,653	412,348	23,404,329

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

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 land been stated at historical cost less accumulated amortisation, the net carrying amount would have been RM1,223,566 (2012: RM1,223,566).

Had the freehold buildings been stated at historical cost less accumulated depreciation, the net carrying amount would have been RM3,760,640 (2012: RM3,879,609).

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 RM3,874,037 (2012: RM4,059,950).

Assets held under finance leases and hire purchase agreement

During the financial year, the Company acquired the motor vehicles with a cost of RM293,719 (2012: RM57,800) of which RM270,000 (2012: RM49,000) were financed under a hire purchase agreement.

The carrying amount of furniture, fitting and equipments held under finance leases at the last reporting date were RM Nil (2012: RM196,052).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net carrying value of RM261,687 (2012: RM54,910).

13. INVESTMENT PROPERTIES

	Freehold land RM	Freehold building RM	Leasehold building RM	Total RM
Group				
Cost				
At 1 January 2013	245,909	301,244	379,751	926,904
Addition	–	–	–	–
Disposal	–	(179,644)	–	(179,644)
At 31 December 2013	245,909	121,600	379,751	747,260
Accumulated depreciation and accumulated impairment losses				
At 1 January 2013	75,909	47,347	293,225	416,481
Depreciation charge (Note 8(a))	–	2,432	7,595	10,027
Disposal	–	(47,144)	–	(47,144)
At 31 December 2013	75,909	2,635	300,820	379,364
Net carrying value				
At 31 December 2013	170,000	118,965	78,931	367,896

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

13. INVESTMENT PROPERTIES (CONT'D)

	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Group				
Cost				
At 1 January 2012	245,909	179,644	379,751	805,304
Addition	–	121,600	–	121,600
At 31 December 2012	245,909	301,244	379,751	926,904
Accumulated depreciation and accumulated impairment losses				
At 1 January 2012	75,909	44,644	291,336	411,889
Depreciation charge (Note 8(a))	–	3,203	1,389	4,592
At 31 December 2012	75,909	47,847	292,725	416,481
Net carrying value				
At 31 December 2012	170,000	253,397	87,026	510,423

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	
	2013 RM	**2012 RM**
Leasehold building	**78,931**	87,026

14. INTANGIBLE ASSETS

Group	Software RM	Development Costs RM	Total RM
Cost			
At 1 January 2012	1,512,408	3,706,732	5,219,140
Additions - purchased	–	–	–
Reclassification to assets held for sale	(785,200)	(1,723,362)	(2,508,562)
At 31 December 2012/ 1 January 2013	**727,208**	**1,983,370**	**2,710,578**
Additions - purchased	–	–	–
At 31 December 2013	**727,208**	**1,983,370**	**2,710,578**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. INTANGIBLE ASSETS (CONT'D)

Group	Software RM	Development Costs RM	Total RM
Accumulated amortisation and impairment			
At 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	(706,893)	(1,723,362)	(2,430,255)
At 31 December 2012/ 1 January 2013	**722,331**	**1,983,370**	**2,705,701**
Amortisation (Note 8(a))	4,877	–	4,877
At 31 December 2013	**727,208**	**1,983,370**	**2,710,578**
Net carrying value			
At 31 December 2013	–	–	–
At 31 December 2012	4,877	–	4,877

15. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Unquoted shares, at cost		
In Malaysia,	**35,575,545**	36,954,596
Outside Malaysia	**10,878,508**	10,878,508
	46,454,053	47,833,104
Less: Accumulated impairment losses	**(12,269,419)**	(12,269,419)
Add: Provision of financial guarantees by the parent	**1,686,145**	1,686,145
	35,870,779	37,249,830

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Equity Interest held 2013 %	Equity Interest held 2012 %	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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Country of incorporation	Equity Interest held 2013 %	2012 %	Principal activities
Metronic Integrated System Sdn. Bhd.	Malaysia	**100**	100	Maintenance of intelligent building management system and integrated security management system, dealing in fertilizer and intelligent healthcare instrument.
Metronic 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.
Metronic iCares Sdn. Bhd.	Malaysia	**–**	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.
M-One Country Development Sdn. Bhd. (Formerly known as Metronic Mobile Services Sdn. Bhd.)	Malaysia	**100**	100	Property developments.
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 communication technology industry, specialising in intelligent 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 incorporation	Equity Interest held 2013 %	2012 %	Principal activities
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
# Inclusive of an indirect interest of 7.5% held via IPanel Ptd Ltd.

(a) Acquisition of additional interests and impairment in subsidiaries:

(i) Investment in Metronic Engineering Sdn Bhd

During the last financial year, the Company increased its investment capital in Metronic Engineering Sdn Bhd by RM13,000,000 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 last 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.

(b) Disposal of subsidiary

On 5 October 2012, the Company (which owns 51% equity interest) had entered into a Sale and Purchase Agreement with Zuellig Pharma Solutions Holdings Pte. Ltd. to dispose off its entire equity interest in Metronic iCares Sdn Bhd ("MiCare") for a total consideration of RM 10,199,700 subject to adjustment pursuant to the Sale and Purchase Agreement.

Pursuant to MFRS 5, the assets and liabilities of that subsidiary were classified as held for sale, separately from other assets and liabilities in the financial statement.

On 17 April 2013, the shareholders had approved the disposal of MiCare in an Extraordinary General Meeting.

Gain on disposal for this subsidiary for the Group and the Company are RM 6,119,434 and RM 8,820,649 respectively recognised in the current financial year.

Further details of the disposal are disclosed in Note 25 to the financial statements.

16. INVESTMENT IN JOINT VENTURE

	Company 2013 RM	Company 2012 RM
Unquoted shares, at cost:		
Outside Malaysia	**220,850**	220,850

Name of Company	Country of incorporation	Equity Interest held 2013 %	Equity Interest held 2012 %
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 building management system and integrated security managements.

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:

	2013 RM	2012 RM
Assets and liabilities		
Current assets	**303,850**	303,850
Non-current assets	**–**	–
Total assets	**303,850**	303,850
Current liabilities	**83,000**	83,000
Non-current liabilities	**–**	–
Total liabilities	**83,000**	83,000
Income statement		
Revenue	**–**	–
Expenses, including finance costs and taxation	**–**	–

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Quoted shares in Malaysia	**9,039,510**	4,184,358	**9,039,510**	4,184,358
At fair value	**9,039,510**	4,184,358	**9,039,510**	4,184,358
* Unquoted shares outside Malaysia	**4,705,981**	15,792,501	**3,052,425**	14,138,945
At net carrying amount	**4,705,981**	15,792,501	**12,091,935**	14,138,945
	13,745,491	19,976,859	**12,091,935**	18,323,303

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

Movement in available-for-sale investments are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At 1 January	**19,976,859**	20,022,140	**18,323,303**	18,005,255
Additions	**9,161,608**	859,932	**9,161,608**	859,932
Fair value adjustment	**314,823**	3,524,409	**314,823**	3,524,409
Impairments	**(11,086,520)**	–	**(11,086,520)**	–
Disposals	**(4,621,279)**	(4,429,622)	**(4,621,279)**	(4,066,293)
At 31 December	**13,745,491**	19,976,859	**12,091,935**	18,323,303

* The fair value information has not been disclosed for these financial instruments as their fair value cannot be measured reliably due to lack of quoted market price in an active market and assumption required for valuing these financial instruments.

Impairment losses

During the financial year, the Group and the Company recognised impairment loss of RM 11,086,520 (2012:RM Nil) for unquoted equity instrument classified as available-for-sale financial assets as there was "significant" or "prolonged" decline in the fair value of the investment.

The impairments made by the Group and the Company for the current financial year were using the management accounts available to the Company.

The investment in Unilink Development Limited ("Unilink") was 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 financial year ended 31 December 2011.

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

18 OTHER INVESTMENTS

	Group	
	2013 RM	2012 RM
At 1 January		
- Unquoted shares, at cost	**144,897**	144,897
- less: impairment loss	**(144,897)**	(144,897)
	–	–
Golf club membership	**94,000**	94,000
At 31 December	**94,000**	94,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

18 **OTHER INVESTMENTS** (CONT'D)

	Company 2013 RM	Company 2012 RM
At 1 January		
- Unquoted shares, at cost	**144,897**	144,897
- less: impairment loss	**(144,897)**	(144,897)
At 31 December	**–**	–

19. DEFERRED TAX

	Group 2013 RM	Group 2012 RM
At 1 January	**8,079,318**	8,609,167
Recognised in revaluation reserve	**–**	(407,000)
Recognised in income statement (Note 9)	**(65,866)**	(121,311)
Foreign currency translation differences	**(1,271)**	(1,538)
At 31 December - after appropriate set off	**8,012,181**	8,079,318

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2013	**56,256**	**56,256**
Recognised in income statement	**–**	**–**
Foreign currency translation differences	**–**	**–**
At 31 December 2013	**56,256**	**56,256**
At 1 January 2012	56,256	56,256
Recognised in income statement	–	–
Foreign currency translation differences	–	–
At 31 December 2012	56,256	56,256

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2013	**1,494,000**	**6,167,000**	**474,574**	**8,135,574**
Recognised in income statement	**–**	**–**	**(65,866)**	**(65,866)**
Transfer from equity	**–**	**–**	**–**	**–**
Foreign currency translation differences	**–**	**–**	**(1,271)**	**(1,271)**
At 31 December 2013	**1,494,000**	**6,167,000**	**407,437**	**8,068,437**

19. DEFERRED TAX (CONT'D)

Deferred tax assets of the Group (cont'd):

	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

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

	Group	
	2013 RM	2012 RM
Unused tax losses	**32,542,538**	1,047,612
Unabsorbed capital allowances	**1,680**	6,844
	32,544,218	1,054,456

At the reporting date, the Group has tax losses of approximately RM32,542,538 (2012: RM1,047,612) 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	
	2013 RM	2012 RM
At cost		
Building automation equipment and parts	**1,129,054**	1,299,421
Fertiliser	**570,000**	–
Intelligent healthcare instrument	**89,912**	–
	1,788,966	1,299,421

21. TRADE AND OTHER RECEIVABLES

Trade receivables

	Group 2013 RM	Group 2012 RM
Trade receivables	**10,368,403**	39,768,688
Progress billings receivables	**41,838,219**	45,826,636
Due from customers on contracts (Note 22)	**1,091,303**	6,221,227
Retention sums on contracts (Note 22)	**17,378,067**	18,143,368
Advance to sub-contractors	**703,430**	–
	71,379,422	109,959,919
Reclassification to assets held for sale	**–**	(32,524,053)
	71,379,422	77,435,866
Allowance for impairment (Note 21(a))	**(58,789,277)**	(57,706,599)
Trade receivables, net	**12,590,145**	19,729,267
Other receivables		
Deposits and prepayment	**4,200,563**	5,073,140
Sundry receivables	**4,711,092**	190,377
Allowance for impairment	**–**	(889,725)
Reclassification to assets held for sale	**–**	(436,743)
Other receivables, net	**8,911,655**	3,937,049
Total trade and other receivables	**21,501,800**	23,666,316
Add: Short term deposits (Note 23)	**5,055,552**	6,100,923
Cash and bank balances (Note 24)	**4,309,108**	2,580,715
Total loans and receivables	**30,866,460**	32,347,954

	Company 2013 RM	Company 2012 RM
Trade receivables	**–**	–
Other receivables		
Due from subsidiaries	**7,923,535**	3,340,405
Deposits and prepayment	**2,405**	–
Sundry receivables	**2,581,232**	22,259
Allowance for doubtful debts	**(825,985)**	–
Allowance for impairment	**(10,655)**	–
Other receivables, net	**9,670,532**	3,362,664
Total trade and other receivables	**9,670,532**	3,362,664
Cash and bank balances (Note 24)	**18,318**	12,845
Total loans and receivables	**9,688,850**	3,375,509

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

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:

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	
	2013	**2012**
	RM	**RM**
Neither past due nor impaired	**926,845**	31,249,137
1 to 30 days past due but not impaired	**2,305,433**	6,520,210
31 to 60 days past due but not impaired	**1,451,318**	4,212,878
61 to 90 days past due but not impaired	**518,540**	2,450,355
91 to 120 days past due but not impaired	**515,217**	1,586,874
More than 121 days past due but not impaired	**6,872,792**	6,233,866
	11,663,300	21,004,183
Impaired	**58,789,277**	57,706,599
	71,379,422	109,959,919

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 RM11,663,300 (2012: RM21,004,183) 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	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Trade receivables						
- nominal amounts	**1,708,619**	1,708,619	**57,080,658**	5,997,980	**58,789,277**	57,706,599
Less: Allowance for impairment	**(1,708,619)**	(1,708,619)	**(57,080,658)**	(55,997,980)	**(58,789,277)**	(57,706,599)
	–	–	**–**	–	**–**	–

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Movement in allowance accounts:

	Group 2013 RM	Group 2012 RM
At 1 January	**57,706,599**	33,302,897
Effect of adopting FRS 139	**–**	–
Charge for the year (Note 8(a))	**1,082,678**	26,086,477
Exchange differences	**–**	(1,682,776)
At 31 December	**58,789,277**	57,706,599

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.

(b) Other receivables

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

22. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group 2013 RM	Group 2012 RM
Contract costs incurred to date	**279,487,063**	266,940,907
Add: Attributable profits	**51,679,032**	47,874,450
	331,166,095	314,815,357
Less: Progress billings received and receivable	**(333,239,275)**	(315,299,987)
	(2,073,180)	(484,630)
Due from customers on contracts (Note 21)	**1,091,303**	6,221,227
Due to customers on contracts (Note 30(a))	**(3,164,483)**	(6,705,857)
	(2,073,180)	(484,630)
Retention sums on contracts, included within trade receivables (Note 21)	**17,378,067**	18,143,368
Advances received on contracts, included within trade payables (Note 30)	**40,181**	238,541
Contract costs recognised as an expense (Note 5)	**15,274,856**	19,582,782

Included in contract costs recognised as an expense is provision for defect liabilities of RM 419,428 (2012: RM616,851) during the year (Note 8(a)).

23. SHORT TERM DEPOSITS

	Group	
	2013	2012
	RM	RM
Fixed deposits with licensed banks	**5,055,552**	6,100,923
Reclassification to assets held for sale	–	(1,055,000)
	5,055,552	5,045,923

Fixed deposits with licensed banks of the Group amounting to RM 5,055,552 (2012: RM 5,300,923) 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.

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

	Interest rate		Maturity	
	2013	2012	2013	2012
	%	%	day	day
Group	**2.81**	2.55	**180**	180

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	
	2013	2012
	RM	RM
Cash and bank balances	**4,309,108**	17,319,792
Reclassification to assets held for sale	–	(14,739,077)
	4,309,108	2,580,715
Fixed deposits with licensed banks*	–	800,000
Bank overdrafts (Note 29)	**(2,724,645)**	(1,946,895)
Total cash and cash equivalents	**1,584,463**	1,433,820

	Group	
	2013	2012
	RM	RM
Cash and cash equivalents at end of the year		
Continuing operation	**1,584,463**	1,433,820
Classified as assets held for sale (Note 25)	–	14,739,077
	1,584,463	16,172,897

24. CASH AND BANK BALANCES (CONT'D)

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the reporting date: (cont'd)

	Company	
	2013	**2012**
	RM	**RM**
Cash and bank balances	**18,318**	12,845

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

25. DISPOSAL OF SUBSIDIARY

At the Extraordinary General Meeting held on 17 April 2013, Metronic Global Berhad approved the disposal of its 1,379,091 ordinary shares of RM1.00 each representing 51% of the issued and paid up share capital in Metronic iCares Sdn. Bhd. ("MiCares"). With the disposal, MiCares ceased to be a subsidiary of the Company.

The assets and liabilities at the disposal date are as follows:

Group Carrying Value	**RM**
Property, plant and equipment	651,008
Intangible assets	56,939
Trade receivables	35,202,979
Other receivables	522,644
Short term deposits	1,055,000
Cash and bank balances	9,500,134
Trade payables	(33,491,141)
Other payables	(5,349,061)
Obligation under finance leases	(120,305)
Hire purchases payables	(27,673)
Net assets disposed	8,000,524
Less: Non-controlling interests	(3,920,258)
Group's share of net assets disposed	4,080,266
Gain on disposal of subsidiary to the Group (Note 6)	6,119,434
Disposal proceeds settled by cash	10,199,700

Cash inflows arising from disposal:

	RM
Cash consideration	10,199,700
Cash and cash equivalents of subsidiary disposed	(9,500,134)
Net cash inflow of the Group	699,566

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

25. DISPOSAL OF SUBSIDIARY (CONT'D)

The assets and liabilities classified as assets held for sale as at 31 December 2012 were:

	Group Carrying Value RM
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

	Group Carrying Value RM
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 classified as held for sale	41,982,132

The results of Metronic iCares Sdn. Bhd., classified as assets held for sale, which was disposed off in the current financial year ended 31 December 2013 are as follows:

	Group	
	2013 RM	2012 RM
Revenue (Note 4)	**2,749,720**	10,452,526
Other income (Note 6)	**1,197**	17,092
Expenses	**(2,547,395)**	(9,167,502)
Interest expenses (Note 7)	**(3,533)**	(14,133)
Profit before tax from assets held for sale	**199,989**	1,287,983
Income tax expense	**–**	–
Profit for the year from assets held for sale	**199,989**	1,287,983
Profit from assets held for sale after charging:		
Auditors' remuneration		
Statutory audits:		
- parent auditors	**7,500**	–
Amortisation of intangible assets	**21,367**	126,440
Depreciation of property, plant and equipment	**55,701**	201,007

26. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised:-				
At 1 January/31 December	**10,000,000,000**	10,000,000,000	**1,000,000,000**	1,000,000,000

	Number of ordinary shares of RM0.10 each		Amount	
	2013	2012	2013 RM	2012 RM
Issued and fully paid:-				
At 1 January	**634,906,903**	634,906,903	**63,490,690**	63,490,690
Issued during the year	**36,000,000**	–	**3,600,000**	–
At 31 December	**670,906,903**	634,906,903	**67,090,690**	63,490,690

On 20 August 2013, the Company increased its paid up capital from RM 63,490,690 to RM 67,090,690 by an allotment of 36,000,000 ordinary shares of RM 0.10 each at par for cash via a private placement and for the purpose of increasing the working capital. These new shares rank pari passu with the existing shares of the Company.

27. OTHER RESERVES

	Group	
	2013 RM	2012 RM
Revaluation reserves		
At 1 January	**12,613,007**	–
Revaluation surplus from freehold land and buildings	**–**	13,020,007
Less: Transfer to deferred tax (Note 19)	**–**	(407,000)
Foreign currency translation	**500,027**	–
At 31 December	**13,113,034**	12,613,007
Foreign currency translation reserve		
At 1 January	**849,206**	85,222
Unrealised foreign exchange (gain)/loss (Note 8(a))	**–**	159,924
Foreign currency translation	**26,927**	604,060
At 31 December	**876,133**	849,206
Available for sale reserve		
At 1 January	**–**	175,098
Effects of adopting FRS 139	**–**	–
- fair value changes	**314,823**	3,161,080
- transfer to profit/loss	**1,180,258**	(3,893,554)
- transfer to profit/loss upon disposal	**(1,180,258)**	557,376
At 31 December	**314,823**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27. OTHER RESERVES (CONT'D)

	Company	
	2013	**2012**
	RM	**RM**
Available for sale reserve		
At 1 January	**–**	–
Effects of adopting FRS 139	**–**	–
- fair value changes	**314,823**	3,524,409
- transfer to profit/loss	**1,180,258**	(3,693,091)
- transfer to profit/loss upon disposal	**(1,180,258)**	168,682
At 31 December	**314,823**	–

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

29. LOANS AND BORROWINGS

	Group	
	2013	**2012**
	RM	**RM**
Current		
Obligations under finance leases (secured)	**–**	68,348
Hire purchase payables (secured)	**53,454**	20,599
Bank overdrafts (secured) (Note 24)	**2,724,645**	1,946,895
Bankers' acceptances (secured)	**3,025,362**	1,845,075
Short term borrowings	**25,786**	–
Reclassification to assets held for sale	**–**	(65,368)
	5,829,247	3,815,549
Non current		
Obligations under finance leases	**–**	80,203
Hire purchase payables	**244,597**	56,874
Reclassification to assets held for sale	**–**	(98,952)
	244,597	38,125
Total loans and borrowings	**6,073,844**	3,853,674

The remaining maturities of the loans and borrowings as at 31 December 2013 are as below:

	Group	
	2013	**2012**
	RM	**RM**
On demand or within one year	**5,829,247**	3,815,549
More than 1 year and less than 2 years	**58,546**	8,700
More than 2 years and less than 5 years	**183,548**	17,400
5 years or more	**2,503**	12,025
	6,073,844	3,853,674

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and 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 2013: 2.81% to 8.0% (2012: 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% (4.24% in 2012) 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 8% (2012: 8% 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 2013 RM	Group 2012 RM
Trade payables	**7,573,010**	62,409,652
Advances received on contracts (Note 22)	**40,181**	238,541
Due to customers on contracts (Note 22)	**3,164,483**	6,705,857
Reclassification to assets held for sale	–	(33,643,786)
	10,777,674	35,710,264

(b) Other payables

	Group 2013 RM	Group 2012 RM
Other creditors and accruals	**11,321,439**	4,478,210
Due to former directors' related companies*	–	4,090,453
Deferred revenue	–	5,743,009
Due to directors	–	1,167,121
Provision for defect liabilities	**5,939,104**	6,869,628
Reclassification to assets held for sale	–	(8,174,026)
	17,260,543	14,174,395

	Group 2013 RM	Group 2012 RM
Total trade and other payables	**28,038,217**	49,884,659
Add: Loans and borrowings (Note 29)	**6,073,844**	3,853,674
Total financial liabilities carried at amortised cost	**34,112,061**	53,738,333

(a) Trade payables

	Company 2013 RM	Company 2012 RM
Trade payables	–	–

(b) Other payables

	2013 RM	2012 RM
Due to subsidiaries	**7,694,129**	6,590,047
Other creditors and accruals	**3,964,709**	1,674,222
	11,658,838	8,264,269

30. TRADE AND OTHER PAYABLES (CONT'D)

(b) Other payables (cont'd)

	Company	
	2013	2012
	RM	RM
Total Trade and other payables	**11,658,838**	8,264,269
Add: Loans and borrowings (Note 29)	**–**	–
Total financial liabilities carried at amortised cost	**11,658,838**	8,264,269

(a) Trade payables

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM 2,959,252 (2012:RM 22,259,755) which relates to work completed for certain federal public sector projects. 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.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2013		2012	
	Transactions	Balance Outstanding	Transactions	Balance Outstanding
	RM	RM	RM	RM
Company				
Subsidiaries:				
Office rental paid	**12,000**	**–**	12,000	–

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	
	2013	2012	2013	2012
	RM	RM	RM	RM
Short-term employee benefits	**906,312**	1,157,850	**423,021**	164,978
Post-employment benefits:				
Defined contribution plan	**1,136**	517	**–**	–
Directors' fees	**82,714**	156,675	**82,714**	156,675
	990,162	1,315,042	**505,735**	321,653
Included in the total key management personnel are:				
Directors' remuneration (Note 8(b))	**990,162**	1,315,042	**505,735**	321,653

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			
	2013		2012	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Not later than 1 year	**72,972**	**53,454**	23,916	20,599
Later than 1 year but not later than 2 years	**69,132**	**58,546**	23,916	20,599
Later than 2 year but not later than 5 years	**197,292**	**183,548**	26,185	24,250
Later than 5 years	**2,653**	**2,503**	12,025	12,025
	342,049	**298,051**	86,042	77,473
Less: Future finance charges	**(43,998)**	**–**	(8,569)	–
	298,051	**298,051**	77,473	77,473

(b) 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			
	2013		2012	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Not later than 1 year	–	–	79,164	68,348
Later than 1 year but not later than 2 years	–	–	64,285	53,469
Later than 2 year but not later than 5 years		–	32,142	26,734
Later than 5 years	–	–	–	–
	–	–	175,591	148,551
Less: Future finance charges	–	–	(27,040)	–
	–	–	148,551	148,551

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

33. CONTINGENT LIABILITIES

(a) Secured:

	Group 2013 RM	Group 2012 RM
Performance and financial guarantees issued by the banks to third parties	**10,654,943**	8,910,078

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 23 to the financial statements.

(b) Unsecured:

	Group 2013 RM	Group 2012 RM
Litigation, claims and legal suits	**–**	2,658,344

(c) Unsecured:

	Company 2013 RM	Company 2012 RM
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**50,500,000**	52,500,000
Corporate guarantees given to performance for project granted to subsidiaries	**43,042,826**	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.

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

(a) Interest rate risk (cont'd)

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 RM1,797 higher/lower (2012: higher/lower by RM22,807), 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 RM3,341 lower/higher (2012: lower/higher by RM10,273) 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.

Analysis of financial instruments by remaining contractual maturities

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.

	2013		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial liabilities:			
Trade and other payables	28,038,217	–	28,038,217
Loans and borrowings	5,829,247	244,597	6,073,844
Total undiscounted financial liabilities	33,867,464	244,597	34,112,061
Company			
Trade and other payables (excluding financial guarantees)*	11,658,838	–	11,658,838
Loans and borrowings	–	–	–
Total undiscounted financial liabilities	11,658,838	–	11,658,838

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

(b) Liquidity risk (cont'd)

* 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 RM20,203 (2012: 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**

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	VND RM	SGD RM	RMB RM	INR RM	AED RM	Total RM
At 31 December 2013										
Trade and other receivables	**138,425**	**–**	**–**	**620,900**	**213,096**	**–**	**867,026**	**3,492,005**	**495,532**	**5,826,984**
Cash and bank balance	**–**	**–**	**–**	**–**	**56,119**	**83**	**575,061**	**–**	**954,395**	**1,585,658**
Trade and other payables	**1,014,222**	**26,085**	**134,595**	**25,115**	**29,941**	**675,160**	**3,551,466**	**1,562,949**	**206,251**	**7,225,784**
Borrowings	**–**	**–**	**–**	**–**	**25,786**	**–**	**–**	**134,607**	**–**	**160,393**
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

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

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(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.

		Group 2013 Effect on loss net of tax/equity, net of tax Increase/(decrease)
USD/RM	- strengthened 10%	**(65,685)**
	- weakened 10%	**65,685**
GBP/RM	- strengthened 10%	**(1,956)**
	- weakened 10%	**1,956**
EUR/RM	- strengthened 10%	**(10,095)**
	- weakened 10%	**10,095**
SAR/RM	- strengthened 10%	**44,684**
	- weakened 10%	**(44,684)**
VND/RM	- strengthened 10%	**16,012**
	- weakened 10%	**(16,012)**
SGD/RM	- strengthened 10%	**(50,631)**
	- weakened 10%	**50,631**
RMB/RM	- strengthened 10%	**(158,203)**
	- weakened 10%	**158,203**
INR/RM	- strengthened 10%	**134,584**
	- weakened 10%	**(134,584)**
AED/RM	- strengthened 10%	**93,276**
	- weakened 10%	**(93,276)**

(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 RM Nil (2012: RM35,515,499) and retention sums on contracts of RM Nil (2012: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(e) Market price risk (cont'd)

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 RM451,976 (2012: RM209,218). 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		Company	
	Carrying value RM	Fair value RM	Carrying value RM	Fair value RM
At 31 December 2013:				
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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 2013 and 31 December 2012.

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.

	Group	
	2013	**2012**
	RM	**RM**
Loans and borrowings (Note 29)	**6,073,844**	3,853,674
Equity attributable to the owners of the parent	**44,116,374**	34,514,611
Capital and borrowings	**50,190,218**	38,368,285
Gearing ratio	**0.12**	0.10

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 2013					
Revenue					
Continuing operations					
Sales to external customers		28,356,777	2,691,592	–	31,048,369
Inter-segment sales		270,524	–	(270,524)	–
Total Revenue		28,627,301	2,691,592	(270,524)	31,048,369
Assets held for sale					
Sales to external customers		2,749,720	–	–	2,749,720
Inter-segment sales	(A)	11,604	–	(11,604)	–
Total Revenue		2,761,324	–	11,604	2,749,720
					33,798,089
Results					
Segment result	(D)	6,940,971	(1,695,314)	–	5,245,657
Finance cost		(151,396)	3,260	–	(148,136)
Profit before tax					
- Continuing operations					5,097,521
- Assets held for sale					199,989
Income tax expense					(169,985)
Net profit for the year					5,127,525
Assets					
Segment assets	(B)	165,243,542	16,969,197	(103,933,416)	78,279,323
Liabilities					
Segment liabilities	(C)	76,401,325	15,440,798	(57,679,174)	34,162,949
Other segment information					
Capital expenditure		448,830	–	(49,223)	399,607
Depreciation of property plant and equipment		332,559	196,926	(55,701)	473,784
Depreciation of investment properties		10,027	–	–	10,027
Amortisation of intangible assets and prepaid lease payments		26,244	–	(21,367)	4,877
Other significant non-cash expenses:					
Impairment loss on trade receivables		1,082,678	–	–	1,082,678
Provision for defect liabilities		419,428	–	–	419,428
Write-down of inventories		13,111	–	–	13,111

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

37. SEGMENTAL REPORTING (CONT'D)

Geographical segments

	Note	Malaysia RM	Overseas RM	Adjustments/ eliminations RM	Total RM
31 December 2012					
Revenue					
Continuing 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
Assets held for sale					
Sales to external customers		10,452,526	–	–	10,452,526
Inter-segment sales	(A)	11,602	–	(11,602)	–
Total Revenue		10,464,128	–	(11,602)	10,452,526
					46,600,998
Results					
Segment result	(D)	(27,984,855)	(1,185,178)	3,491,211	(22,187,611)
Finance cost		(428,792)	(27,338)	–	(456,130)
Profit/(Loss) before tax					
- Continuing operations					(26,761,458)
- Assets held for sale					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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 2013						
Revenue						
Continuing operations						
Sales to external customers		31,048,369	–	–	–	31,048,369
Inter-segment sales		270,524	–	–	(270,524)	–
Total revenue		31,318,893	–	–	(270,524)	31,048,369
Assets held for sale						
Sales to external customers		–	2,749,720	–	–	2,749,720
Inter-segment sales	(A)	–	11,604	–	(11,604)	–
Total revenue		–	2,761,324	–	(11,604)	2,749,720
						33,798,089
Results						
Segment result	(D)	16,553,343	203,522	(11,307,686)	(203,522)	5,245,657
Finance cost		(148,136)	(3,533)	–	3,533	(148,136)
Profit before tax						
- Continuing operations						5,097,521
- Assets held for sale		–	199,989	–	–	199,989
Income tax expense		(169,985)	–	–	–	(169,985)
Net profit for the year						5,127,525

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

37. SEGMENTAL REPORTING (CONT'D)

Business segments (cont'd)

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

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
31 December 2013						
Assets						
Segment assets	(B)	77,351,620	46,988,704	57,872,414	(103,933,415)	78,279,323
						78,279,323
Liabilities						
Segment liabilities	(C)	41,195,103	38,988,181	11,658,839	(57,679,174)	34,162,949
Other segment information						
Capital expenditure		–	396,072	3,535	–	399,607
Depreciation of property plant and equipment		276,511	55,701	197,273	(55,701)	473,784
Depreciation of investment properties		10,027	–	–	–	10,027
Amortisation of intangible assets and prepaid lease payments		4,877	21,367	–	(21,367)	4,877
Other significant non-cash expenses:						
Impairment loss on trade receivables		1,082,678	–	–	–	1,082,678
Provision for defect liabilities		419,428	–	–	–	419,428
Write-down of inventories		13,111	–	–	–	13,111

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

37. SEGMENTAL REPORTING (CONT'D)

Business segments (cont'd)

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

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
31 December 2012						
Revenue						
Continuing 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	(A)	–	11,602	–	(11,602)	–
Total revenue		–	10,464,128	–	(11,602)	10,452,526
						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		(413,429)	(14,133)	(42,701)	14,133	(456,130)
Profit/(Loss) before tax						
- Continuing operations		–	–	–	–	(26,761,458)
- Assets held for sale		–	–	–	1,287,983	1,287,983
Income tax expense		130,221	–	–	–	130,221
Net loss for the year						(25,343,254)
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)

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

	Note	Engineering RM	ICT services RM	Investment holding RM	Adjustments/ eliminations RM	Total RM
31 December 2012						
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

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. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 12 March 2014, the Company increased its paid up capital from RM 67,090,690 to RM 69,090,690 by an allotment of 20,000,000 ordinary shares of RM 0.10 each at par for cash via a private placement and for the purpose of increasing the working capital. These new shares rank pari passu with the existing shares of the Company.

On 16 April 2014, the Company increased its paid up capital from RM 69,090,690 to RM 69,839,750 by an allotment of 7,490,600 ordinary shares of RM 0.10 each at par for cash via a private placement and for the purpose of increasing the working capital. These new shares rank pari passu with the existing shares of the Company.

On 11 April 2014, a wholly owned subsidiary , Metronic Engineering Sdn Bhd had entered into a Memorandum of Understanding ("MOU") with CNYD Aluminium Industry Engineering Malaysia Sdn Bhd for future business in respective of the construction market segment. The validity period of this MOU is one year which commences on 11 April 2014 and shall expire on 10 April 2015. This MOU shall subject to review for extension or termination before expiry through mutual agreement in written form.

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

The breakdown of the accumulated losses of the Group and Company into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad 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 losses as at reporting date may be analysed as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Total accumulated losses				
- Realised	**(27,920,502)**	(36,170,069)	**(21,191,937)**	(12,585,467)
- Unrealised	**2,022,230**	(412,988)	**–**	–
	(25,898,272)	(36,583,057)	**(21,191,937)**	(12,585,467)
Less: Consolidation adjustments	**(11,380,034)**	(5,855,235)	**–**	–
Accumulated loss as per financial statements	**(37,278,306)**	(42,438,292)	**(21,191,937)**	(12,585,467)

LIST OF PROPERTIES
AS AT 31 DECEMBER 2013

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 31.12.2013 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	13 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	13 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	13 years / Leasehold for 99 years expiring on 4 December 2095	88	20 February 1993
No: 19 Jalan Kemboja 4C/12 Section BS8, Bukit Sentosa III 48300 Rawang Selangor	single storey terrace house	2,131.25 (198 square metres)	2,691	N/A	Freehold Geran 80986, Lot 12604 Mukim Serendah Daerah Ulu Selangor Negeri Selangor	121.60	20 September 2012
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	12 years / Leasehold for 50 years expiring on 5 February 2052	8,835	05 February 2013

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2014

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	:	RM69,839,750.30 divided into 698,397,503 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
647	Less than 100	32,772	*
209	100 to 1,000	85,724	0.01
1,043	1,001 to 10,000	7,379,524	1.06
2,291	10,001 to 100,000	101,107,075	14.48
662	100,001 to less than 5% of issued shares	464,387,008	66.49
3	5% and above of the issued shares	125,405,400	17.96
4,855	**TOTAL**	**698,397,503**	**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.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Lian Hong*	44,764,500	6.41
2.	Abd. Gani bin Yusof	40,600,000	5.81
3.	Tan Hong Hong	40,040,900	5.73
4.	Tan Lay Yong	32,661,000	4.68
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Lian Hong*	20,689,200	2.96
6.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Ng Tek Che*	18,489,542	2.65
7.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for KGI Asia Ltd	15,530,100	2.22
8.	Cartaban Nominees (Asing) Sdn Bhd *Standard Chartered Bank Singapore for Avestra Asset Management Ltd Accelerator*	15,000,000	2.15
9.	UOBM Nominees (Asing) Sdn Bhd *Exempt An For Sanston Financial Group Limited*	8,989,000	1.29
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Hong*	7,766,900	1.11
11.	Agensi Pekerjaan Golden Sun (M) Sdn Bhd	7,490,600	1.07
12.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Hong*	7,138,500	1.02
13.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For Credit Suisse (SG BR-TST-ASING)*	6,800,000	0.97
14.	Tan Hong Hong	6,620,800	0.95

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 30 APRIL 2014

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

	Name of Shareholders	No. of Shares Held	Percentage (%)
15.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Hong*	6,100,000	0.87
16.	Affin Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chung Kin Chuan*	6,001,000	0.86
17.	Tan Lian Hong	5,500,000	0.79
18.	Chew Hun Seng	5,120,000	0.73
19.	Gan Siew Liat	5,000,000	0.72
20.	Leo Lai Keun	5,000,000	0.72
21.	Chew Hun Seng	5,000,000	0.72
22.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Lian Hong*	4,687,000	0.67
23.	Kamaruzzaman bin Shariff	3,714,285	0.53
24.	Md Wira Dani bin Abdul Daim	3,714,285	0.53
25.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Leong Pooi Sang*	3,622,300	0.52
26.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Phoa Boon Ting*	3,560,000	0.51
27.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	3,537,000	0.51
28.	Lim Thiam Huat	3,500,000	0.50
29.	Kenanga Nominees (Tempatan) Sdn Bhd	3,350,000	0.48
	for Ng Swee Aun	3,304,000	0.47
30.	Genting Perwira Sdn Bhd	3,064,285	0.44
	TOTAL	346,355,197	49.59

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		NO. OF SHARES HELD			
	NAME OF SHAREHOLDERS	**DIRECT**	**%**	**INDIRECT**	**%**
1.	Tan Lian Hong	80,640,700	11.55	–	–
2.	Tan Hong Hong	48,161,700	6.90	–	
3.	Abd. Gani bin Yusof	40,600,000	5.81	–	–

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

		NO. OF SHARES HELD			
	NAME OF DIRECTORS	**DIRECT**	**%**	**INDIRECT**	**%**
1.	Tan Kian Hong	23,305,400	3.34	–	–
2.	Ng Wee Peng	600,000	0.09	–	–
3.	Dato' Dr. Chin Yew Sin	500,000	0.07	–	–
4.	Lew Cheong Teck	25,000	0.00	–	–
5.	Khoo Siang Hsi @ Khoo Chen Nan	–	–	–	–
6.	Datuk Tan Choon Hwa, JP, JMK	–	–	–	–
7.	Chin Yoon Siong	–	–	–	–

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting ('11th 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 **Friday, 27 June 2014** 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 2013 together with the Directors and Auditors Reports thereon. **(Ordinary Resolution 1)**

2. To approve the payment of Directors' fees of RM82,714 for the financial year ended 31 December 2013. **(Ordinary Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 86 of the Company's Articles of Association and being eligible, offers themselves for re-election:-

   (i) Khoo Siang Hsi @ Khoo Chen Nan **(Ordinary Resolution 3)**
   (ii) Ng Wee Peng **(Ordinary Resolution 4)**

4. 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) Datuk Tan Choon Hwa, JP, JMK **(Ordinary Resolution 5)**
   (i) Chin Yoon Siong **(Ordinary Resolution 6)**

5. 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 7)**

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

6. **Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965** **(Ordinary Resolution 8)**

   "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."

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
4 June 2014

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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.
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 No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 11th AGM.

NOTES ON SPECIAL BUSINESS

Ordinary Resolution 8 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 8, 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 17 April 2014, the Company had fully executed the Mandate given by the shareholders at the last Annual General Meeting held on 25 June 2013 by issuing 63,490,600 new ordinary shares at RM0.10 each in the Company pursuant to private placements. The proceeds amounting to RM6,349,060 arising from the issuance of 63,490,600 new ordinary shares is mainly for working capital requirements of the Group.

The utilization of proceeds from the above private placement is as follows:-

Descriptions	**Amount Approved (RM'000)**	**Utilisation as at 31 May 2014 (RM'000)**	**Balance Unutilised (RM'000)**
Working Capital	6,249	6,249	0
Share issue expenses	100	100	0
Total	6,349	6,349	0

The total proceeds of RM6.3 million from the private placement of shares, completed on 17 April 2014 were fully utilized for working capital and defrayed the private placement expenses within the time period of twelve months.

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.

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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 Eleventh Annual General Meeting ('11th 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 **Friday, 27 June 2014 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 2013 and the Directors' and Auditors' Reports thereon		
2.	Payment of Directors' Fees		
3.	Re-election of Khoo Siang Hsi @ Khoo Chen Nan		
4.	Re-election of Ng Wee Peng		
5.	Re-election of Datuk Tan Choon Hwa, JP, JMK		
6.	Re-election of Chin Yoon Siong		
7.	Re-appointment of Auditors		
8.	Authority to issue shares under Section 132D of the Companies Act, 1965		

(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 __________________ 2014.

____
Signature(s) of member(s)

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.
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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.
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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 No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 11th AGM.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
METRONIC GLOBAL BERHAD (632068-V)
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

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METRONIC GLOBAL BERHAD (632068-V)
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40150 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: 603-7847 2111 Fax: 603-7847 5111
Email: mesb@metronic-group.com

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