



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 SEPTEMBER 2011

METRONIC GLOBAL BERHAD (632068-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		30.09.2011	30.09.2010	30.09.2011	30.09.2010
		RM	RM	RM	RM
Revenue		12,055,954	18,480,713	42,034,395	49,767,504
Cost of sales		<u>(5,855,211)</u>	<u>(14,596,722)</u>	<u>(24,839,176)</u>	<u>(35,092,527)</u>
Gross profit		6,200,743	3,883,991	17,195,219	14,674,977
Other operating income		55,747	17,977	424,591	366,144
Administration expenses		(1,331,054)	(879,204)	(3,510,811)	(3,056,136)
Other operating expenses		(4,158,854)	(5,121,421)	(14,336,173)	(16,878,598)
Finance costs		(75,658)	(166,185)	(316,988)	(385,227)
Interest income		58,172	45,163	114,758	89,515
Share of profit of associate		-	64,358	-	1,412,229
Profit/(Loss) before taxation		749,096	(2,155,321)	(429,404)	(3,777,096)
Income tax expense	19	182,034	177,300	(129,966)	244,000
Net profit/(loss) for the period		<u>931,130</u>	<u>(1,978,021)</u>	<u>(559,370)</u>	<u>(3,533,096)</u>
Net profit/(loss) attributable to:					
Owners of the parent		310,496	(1,967,671)	(1,357,415)	(4,772,441)
Non-controlling interests		620,634	(10,350)	798,045	1,239,345
		<u>931,130</u>	<u>(1,978,021)</u>	<u>(559,370)</u>	<u>(3,533,096)</u>
Basic profit/(loss) per share attributable to equity owners of the parent (sen):					
Basic		0.05	(0.31)	(0.21)	(0.75)
Diluted		0.05	(0.31)	(0.21)	(0.75)

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011**

(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		30.09.2011 RM	30.09.2010 RM	30.09.2011 RM	30.09.2010 RM
Net profit/(loss) for the period		931,130	(1,978,021)	(559,370)	(3,533,096)
Other comprehensive income					
Available-for-sale financial assets					
- fair value changes		(118,192)	(853,088)	(484,814)	(789,944)
-transfer to profit and loss upon disposal		(56,525)	-	(375,875)	(18,142)
Foreign currency translation		148,507	(38,848)	123,745	(402,069)
Other comprehensive income/(loss) for the period, net of tax		(26,210)	(891,936)	(736,944)	(1,210,155)
Total comprehensive income/(loss) for the period, net of tax		<u>904,920</u>	<u>(2,869,957)</u>	<u>(1,296,314)</u>	<u>(4,743,251)</u>
Total comprehensive income/(loss) attributable to:-					
Owners of the parent		284,286	(2,859,607)	(2,094,359)	(5,982,596)
Non-controlling interests		620,634	(10,350)	798,045	1,239,345
		<u>904,920</u>	<u>(2,869,957)</u>	<u>(1,296,314)</u>	<u>(4,743,251)</u>

The condensed consolidated statements of comprehensive income should be read in conjunction with the annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

(The figures have not been audited)

	Note	As at 30.09.2011 RM	(Audited) As at 31.12.2010 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		10,664,169	10,698,635
Investment properties		394,732	398,682
Intangible assets		350,900	833,299
Investment in associate		-	17,321,972
Other investments		94,000	94,000
Available-for-sale financial assets		20,000,253	6,213,058
Deferred tax assets		8,356,189	8,490,526
		<u>39,860,243</u>	<u>44,050,172</u>
CURRENT ASSETS			
Inventories		1,856,560	2,384,257
Trade receivables		86,119,134	91,008,046
Other receivables		4,550,325	4,327,090
Short term deposits		8,270,458	8,179,679
Cash & bank balances		4,919,653	5,084,730
		<u>105,716,130</u>	<u>110,983,802</u>
TOTAL ASSETS		<u>145,576,373</u>	<u>155,033,974</u>
EQUITY AND LIABILITIES			
Share capital		63,490,690	63,490,690
Available-for-sale reserve		153,211	1,013,900
Foreign currency translation reserve		209,065	85,320
Accumulated loss		(12,840,453)	(11,483,038)
Equity attributable to owners of the parent		<u>51,012,513</u>	<u>53,106,872</u>
Non-Controlling interests		<u>3,178,832</u>	<u>2,234,215</u>
TOTAL EQUITY		<u>54,191,345</u>	<u>55,341,087</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	23	<u>206,695</u>	<u>293,392</u>
CURRENT LIABILITIES			
Trade payables		67,195,873	71,535,020
Other payables		16,894,364	16,699,034
Loans and borrowings	23	7,088,096	10,875,441
Provision for taxation		-	290,000
		<u>91,178,333</u>	<u>99,399,495</u>
TOTAL LIABILITIES		<u>91,385,028</u>	<u>99,692,887</u>
TOTAL EQUITY AND LIABILITIES		<u>145,576,373</u>	<u>155,033,974</u>

The condensed consolidated statements of financial position should be read in conjunction with the annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011**
(The figures have not been audited)

	← Attributable to owners of the parent →				Total RM	Non-Controlling Interests RM	Total Equity RM
	Share Capital RM	← Non- Distributable Reserve	→ Available- for-sale Reserve RM	Distributable Reserve			
		Foreign Currency Translation Reserve RM	Retained Profits/ (Accumulated loss) RM				
Preceding year to date ended 30 September 2010							
As at 1 January 2010	63,490,690	1,602,959	-	7,746,581	72,840,230	1,223,081	74,063,311
Effects of adopting FRS 139	-	-	1,222,578	(7,311,125)	(6,088,547)	-	(6,088,547)
As restated	63,490,690	1,602,959	1,222,578	435,456	66,751,683	1,223,081	67,974,764
Total comprehensive income/(loss)	-	(402,069)	(608,086)	(4,772,441)	(5,982,596)	1,239,345	(4,743,251)
As at 30 September 2010	63,490,690	1,200,890	414,492	(4,336,985)	60,769,087	2,462,426	63,231,513
Current year to date ended 30 September 2011							
As at 1 January 2011	63,490,690	85,320	1,013,900	(11,483,038)	53,106,872	2,234,215	55,341,087
Total comprehensive income/(loss)	-	123,745	(880,889)	(1,357,415)	(2,094,359)	798,045	(1,296,314)
Acquisition of shares in a subsidiary	-	-	-	-	-	146,572	146,572
As at 30 September 2011	63,490,690	209,065	153,211	(12,840,453)	51,012,513	3,178,832	54,181,345

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011
(The figures have not been audited)

	9 months ended	
	30.09.2011	30.09.2010
	RM	RM
Cash flows generated from/(used in) operating activities	3,279,693	(5,009,677)
Cash flows generated from/(used in) investing activities	289,315	(262,675)
Cash flows generated from/(used in) financing activities	<u>(4,145,529)</u>	<u>3,399,103</u>
Net change in cash and cash equivalents	(576,521)	(1,873,249)
Effects of foreign exchange rate changes	230,736	214,240
Cash and cash equivalents at beginning of the period	2,750,873	3,477,939
Cash and cash equivalents at end of the period	<u>2,405,088</u>	<u>1,818,930</u>
 Cash and cash equivalents at the reporting date comprise the following:		
Cash and bank balances	4,919,653	4,672,686
Bank overdraft (Note 23)	(2,514,565)	(2,853,756)
	<u>2,405,088</u>	<u>1,818,930</u>

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011 PURSUANT TO FRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010 and the accompanying notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

2. Changes in accounting policies

The significant accounting policies adopted in this interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2010 except for the adoption of the following FRSs, amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR"), which are effective for annual periods beginning on and after :

1 March 2010

Amendments to FRS 132: Financial Instruments: Presentation - classification of Right Issues

1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary
Amendments to FRS 138	Intangible Assets - Additional consequential amendments arising from revised FRS 3
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to IC IC Interpretation 9	Reassessment of Embedded Derivatives

1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS128	Investment in Associates
Amendments to FRS131	Interest in Joint Ventures
Amendments to FRS132	Financial Instruments: Presentation
Amendments to FRS134	Interim Financial Reporting
Amendments to FRS139	Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 13	Customer Loyalty Programmes
TR i-4	Shariah Compliant Sale Contracts

2. Changes in accounting policies (cont'd)

1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement

Adoption of these new and revised standards and IC interpretations did not have any significant effect on the financial performance or position of the Group except for those discussed below:

(i) **Amendments to FRS 7: Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments**

The adoption of Amendments to FRS 7 which promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of fair value hierarchy, will only affect disclosures and will not have any impact on the results of the Group.

(ii) **FRS 127: Consolidated and Separate Financial Statements (Revised)**

The main change introduced under the revised FRS 127 will be the accounting for changes in ownership interest in a subsidiary, wherein changes in ownership which do not result in the loss of control are now accounted for within equity instead of the income statement. Where changes in ownership interest result in loss of control, any remaining interest is re-measured at fair value and a gain or loss is recognised in the income statement. Minority interest is now referred to as "non-controlling interest". All total comprehensive income is proportionately allocated to non-controlling interest, even if it results in the non-controlling interests having a deficit balance.

(iii) **FRS 3: Business Combinations (Revised)**

The revised FRS 3 introduces changes in the accounting for business combination occurring after 1 July 2010 and it is applied prospectively. The FRS establishes principles for recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in acquiree. Each identifiable asset and liability is measured at its acquisition-date fair value. Any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Goodwill is measured as the difference between the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and the net identifiable assets acquired. If the acquirer has made a gain from a bargain purchase, that gain is recognised in the income statement. The FRS also provides accounting requirements for reacquired rights, contingent liabilities, contingent consideration and indemnification assets.

There is no financial impact immediately upon adoption of these two accounting standards as they both only have prospective effect, and hence their adoption will only have impact on future acquisitions of the Group.

The following new and revised FRSs, Amendments to FRSs and IC Interpretations were issued but not yet effective and have not been adopted by the Group:

FRS 124	Related Party Disclosures (Revised)
IC Interpretation 15	Agreement for the Construction of Real Estate

3. Qualification of Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the year ended 31 December 2010 was qualified in the following manner:

"The Group has long outstanding receivables due from a related party and certain group of debtors with their carrying amount totalling RM46,565,420 as at 31 December 2010, of which a total impairment amount of RM20,344,806 has been made. The net carrying amount of these debtors after the impairment provision is RM26,230,614. The impairment amount was determined by the management based on the discounted cash flows over the expected collection period of a number of years. As the Auditors are unable to obtain sufficient appropriate evidence about the timing of collection of these debtors, they are unable to determine if any adjustment to the impairment amount and thus the carrying amount of these debtors is necessary".

The matter has been regularly reviewed by the management and action plan has been formulated to recover the receivables. The Company will make further announcement as and when progress has been made.

4. Seasonality or cyclicity of interim operations

The Group's interim operations are not materially affected by seasonal or cyclical factors during the quarter under review.

5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

6. Material changes in estimates

There were no changes in estimates that have had a material effect for the current quarter's results.

7. Debt and equity securities

There were no issuances, repurchases, and repayment of debt and equity securities for the quarter under review.

8. Dividends

There were no dividends paid during the quarter under review.

9. Segmental information

Analysis by business segments and geographical segments:

	Geographical segments 3 months ended		Geographical segments 9 months ended	
	30.09.2011 RM	30.09.2010 RM	30.09.2011 RM	30.09.2010 RM
Segment revenue				
Malaysia	10,476,320	16,827,236	31,620,836	41,174,833
Overseas	1,961,734	3,128,862	11,284,642	11,050,031
Total revenue	12,438,054	19,956,098	42,905,478	52,224,864
Inter-segment elimination	(382,100)	(1,475,385)	(871,083)	(2,457,360)
External customers	12,055,954	18,480,713	42,034,395	49,767,504
Results				
Operating results				
Malaysia	908,746	(1,328,590)	(755,946)	(2,260,777)
Overseas	(83,992)	(724,904)	643,530	(2,543,321)
Share of profit of associate				
Overseas	-	64,358	-	1,412,229
	824,754	(1,989,136)	(112,416)	(3,391,869)
Finance costs	(75,658)	(166,185)	(316,988)	(385,227)
Profit/(Loss) before tax	749,096	(2,155,321)	(429,404)	(3,777,096)

9. Segmental information (Cont'd.)

	Business segments 3 months ended		Business segments 9 months ended	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	RM	RM	RM	RM
Segment revenue				
Engineering	8,682,452	16,788,310	34,310,173	42,870,931
ICT support services	3,389,369	1,692,927	7,742,231	6,897,846
Investment holding	-	-	-	-
Total revenue	12,071,821	18,481,237	42,052,404	49,768,777
Inter-segment elimination	(15,867)	(524)	(18,009)	(1,273)
External customers	12,055,954	18,480,713	42,034,395	49,767,504
Results				
Operating results				
Engineering	(374,298)	(1,817,204)	1,161,291	(2,824,346)
ICT support services	1,377,235	(20,292)	1,751,772	2,531,764
Investment holding	(178,183)	(215,999)	(3,025,479)	(4,511,516)
Share of profit of associate	-	64,359	-	1,412,229
	824,754	(1,989,136)	(112,416)	(3,391,869)
Finance costs	(75,658)	(166,185)	(316,988)	(385,227)
Profit/(Loss) before tax	749,096	(2,155,321)	(429,404)	(3,777,096)

10. Material subsequent events

Save as disclosed in Note 24, there were no material events subsequent to the end of the current quarter.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

12. Changes in contingent liabilities and contingent assets

Contingent liabilities of the Group as at 23 November 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) comprises performance and financial guarantees totalling RM7,456,998 provided by the Group to various parties in the ordinary course of business. The changes in contingent liabilities since the last balance sheet as at 31 December 2010 are as follows:-

Withdrawal of performance and financial guarantees issued by bank to third parties	RM (3,095,439)
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At the date of this report, no contingent assets has arisen since 31 December 2010.

13. Capital commitments

There were no capital commitments during the current quarter under review.

14. Significant related party transactions

There were no significant related party transactions for the current quarter under review.

**ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD**

15. Performance review

Current Quarter

The Group recorded revenue of RM12.06 million for the current quarter under review, which is RM6.42 million or 35% lower than the previous year corresponding quarter of RM18.48 million, mainly due to lower revenue recorded by engineering segment.

The Group posted profit before taxation of RM0.75 million, representing an improvement of RM2.90 million compared to the loss before taxation of RM2.16 million for the corresponding quarter in the previous year. The favorable improvement is mainly due to higher revenue generated from ICT support services segment of RM1.70 million which had contributed higher profit margin. There was no major provision and impairment loss of asset made in current quarter compared to RM1.24 million accounted in the corresponding quarter in previous year.

Year-to-date

The Group recorded revenue of RM42.03 million for the current financial period under review, which is RM7.73 million or 16% lower than the revenue of RM49.77 million in the previous financial period, mainly due to lower revenue generated from engineering segment.

The Group posted loss before taxation of RM0.43 million, an improvement of RM3.35 million as compared to loss before taxation of RM3.78 million in the previous financial period. The favorable performance was mainly attributed to higher profit margin contributed from engineering segment and there was no major provision and impairment loss of asset made in current period compared to the previous period which accounted a total provision and impairment loss of RM6.08 million.

16. Material changes in the results for the current quarter as compared with the preceding quarter

The Group recorded a revenue of RM12.06 million for the current quarter ended 30 September 2011 compared to RM18.97 million in the preceding quarter ended 30 June 2011, representing a decline of 36% or RM6.91 million, mainly due to lower revenue contributed from engineering segment by 48% or RM8.10 million.

The Group posted profit before taxation of RM0.75 million for the current quarter ended 30 September 2011 represents a decline of RM0.26 million as compared to the profit before taxation of RM1.01 million in the preceding quarter ended 30 June 2011, mainly resulted from lower revenue generated from engineering segment as mentioned above.

17. Current year prospects

Looking forward, the Group's revenue will continue to be contributed by its core business of provision of engineering solutions in relation to Intelligent Building Management System ("IBMS") and Integrated Security Management System ("ISMS"), as well as a steady growth in the ICT support services division.

Notwithstanding the positive economic outlook, the Board are mindful that the forthcoming year remains to be a challenging year for the Group's engineering division in view of the intense competition that lies ahead. The Group is exploring other opportunities besides continue to focus on the IBMS and ISMS projects in order to build up a strong order book. Nevertheless, the Group will continue taking various measures to enhance its operational efficiency and effective cost management in order to improve the performance of the Group for the year 2011.

The performance of ICT Support Services division will continue providing steady and recurring income to the Group in future.

18. Profit forecast or profit guarantee

Not applicable as no profit forecast was published by the Group.

19. Taxation

	3 months ended 30.09.2011	9 months ended 30.09.2011
	RM	RM
Income tax expense:		
Malaysian income tax	(383,034)	(34)
Deferred tax	201,000	130,000
	<u>(182,034)</u>	<u>129,966</u>

20. Sale of unquoted investments and properties

There were no sale of unquoted investments and properties for the current quarter under review.

21. Quoted investments

(a) Purchases and sales of quoted securities for the current quarter and financial year to-date:-

	3 months ended 30.09.2011	9 months ended 30.09.2011
	RM	RM
Purchases of quoted securities	-	-
Sales proceeds of quoted securities	69,414	576,466
Gain on sales of quoted securities	52,789	398,426

(b) Investments in quoted securities as at 30 September 2011 are as follows:

	As at 30.09.2011 RM
At cost	9,312,042
At carrying value	4,207,752
At market value	<u>4,207,752</u>

22. Status of corporate proposals

There was no corporate proposal announced but not completed as at the date of this announcement.

23. Borrowings and debt securities

The Group's total borrowings, all of which were secured, as at 30 September 2011 were as follows:-

	As at 30.09.2011 RM
Current	
Bank overdraft	
Denominated in RM	2,399,602
Denominated in INR	114,963
	2,514,565
Bankers' acceptances (Denominated in RM)	4,472,153
Revolving credits (Denominated in RM)	-
Hire purchase payables (Denominated in RM)	11,899
Obligations under finance leases (Denominated in RM)	89,479
<i>Sub-total</i>	<u>7,088,096</u>
Non-Current	
Obligations under finance leases (Denominated in RM)	173,073
Hire purchase payables (Denominated in RM)	33,622
<i>Sub-total</i>	<u>206,695</u>
Total loans and borrowings	<u>7,294,791</u>

24. Changes in material litigation

There were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2010, except as disclosed below:

- (a) On 24 October 2008, a subsidiary, Metronic Engineering Sdn Bhd ("MESB") received a Writ of Summons issued by Titi Maju Sdn Bhd ("TMSB") claiming an amount of RM267,202 plus interest and cost. Payment to TMSB is subject to a back-to-back arrangement, whereby payment be made upon receipts from the Main contractor, MH Projects Sdn. Bhd. ("MHP"). MHP has not paid MESB.

On 21 July 2009, TMSB proceeded for a Summary Judgment in the High Court of Kuala Lumpur. MESB had filed defence and a 3rd party proceedings was initiated against MHP. The suit is fixed for further Case management on 11 January 2012 and in the interim MESB shall be filing application to amend MESB's Statement of Claim.

The amount claimed of RM267,202 has already been accrued for in the financial statements and no further provision is required as at the date of this report.

- (b) On 9 January 2007, MGB through its solicitors, received a Writ of Summons and Statement of Claim dated 23 November 2006 with the High Court of Shah Alam issued by CWorks Systems Berhad ("CWorks"). CWorks is claiming an outstanding amount of RM1,751,617 from MGB pursuant to a Software Development Agreement dated 9 May 2005 for the development and provision of a software for the National Product Code System, the Sale Force System and the Project Management Tool System in the People's Republic of China.

The Company's solicitors had on 16 January 2007 filed a Conditional Appearance challenging the action as not within the Jurisdiction of the High Court of Malaya but any remedy sought by CWorks should be referred to Arbitration under Malaysian Laws. On 30 August 2007, the Deputy Registrar of the High Court of Shah Alam has allowed the Company's application that the Suit by CWorks against the Company to be adjourned indefinitely 'sine die' and the claim by CWorks to be proceed by the way of arbitration. However, CWorks filed an appeal against the Registrar's decision and the High Court has allowed the appeal and set aside the Order of 'sine die'. The Company's solicitors had filed an appearance and defence as well as counterclaim against CWorks. On 16 February 2009, CWorks solicitors served their reply to the Company's defence and defence to the counterclaim. CWorks has also filed an application for Summary Judgment and High Court has fixed the date for Case Management on 30 November 2009. The High Court had on 30 November 2009 adjourned the decision for Summary Judgment to 13 April 2010. On 13 April 2010, the application was dismissed with cost in the cause by the High Court and set the matter for trial. The Trial was held on 12 and 15 August 2011 and the decision for claim and counterclaim was fixed on 15 September 2011.

The High Court, on 15 September 2011 has entered judgement against MGB for the sum of RM1,751,617 plus interest at the rate of 8% from the date of the filing (23 November 2006) until the date the realisation of the claim and cost. The Court had also dismissed MGB's counter claim for RM3,339,000. MGB, subsequently filed its appeal on 28 September 2011 and currently awaiting for hearing date to be fixed by the Court of Appeal.

The Company has filed for Erinford Injunction against dismissal of its application for Stay of Execution to withhold execution and has made application to make payment into Court the Judgement sum. Parties to exhaust all affidavits and handover same to court on the 1 December 2011. Court then shall fixed a date for parties to file written submission. Subsequently the Court shall fix a Hearing date for the hearing of said Erinford Injunction.

The financial exposure to the Company is estimated about RM1,751,617 for the claim amount and interest at the rate of 8% from the date of the filing (23 November 2006) until the date the realisation of the claim and cost.

- (c) On 19 May 2011, Metronic Engineering Sdn Bhd ("MESB"), a subsidiary of the Company received a Writ of Summons and Statement of Claim dated 9 May 2011 issued by ER Mekatron Manufacturing Sdn Bhd ("ERMMSB") claiming for an outstanding amount of RM291,644.95 plus interest and cost for the supply and installation works for Automated Storage and Retrieval Systems ("ASRS") building at Kolkata India.

There was a variance of the model and specification of the stacker cranes supplied by ERMMSB as compared to the model and specification stated in the tender document and the variance has caused the delay in the completion of the project by MESB. As a result, MESB's customer has made certain deductions and imposed extension of time levy on MESB. As such, the amount payable to ERMMSB has been deducted accordingly by MESB.

On 17 August 2011, the Plaintiff's application for Judgment was dismissed and the matter set for trial on 4, 5 and 6 January 2012.

24. Changes in material litigation (Cont'd)

- (d) On 22 July 2011, Metronic Global Berhad ("the First Defendant") had received several documents in regard to the commencement of litigation which consists of Summons for Evidence Exchange, Summons for Court Session, Notice of Evidence production, Notice of Appearance, Notice of Panel Members, Complaint and Evidence served by its former director of MGB, Li Jichang ("the Plaintiff"). The summons also named Metronic Microelectronics (Beijing) Limited as a Second Defendant.

According to the documents received the complaint is in respect of dispute on the return of property and the Plaintiff claims against MGB compensation in the amount of RMB 30 million (equivalent to RM14.2 million based on exchange rate of 0.4735 as at 8 August 2011) and MMBL to assume joint responsibility for the payment. The Plaintiff also wants the Defendants to bear the legal costs of the proceedings.

MGB's Director, Dr Ng Tek Che, previously on 8 December 2009 had lodged a police report that the Agreement presented by the Plaintiff above is fake and had denied the contents of the Agreement. MGB, in view of the fraudulent claim and the police report previously lodged on 8 December 2009, therefore is of the opinion that the litigation claim has no impact on the MGB group's financial as well as operational.

- (e) On 9 August 2011, Metronic Engineering Sdn Bhd ("MESB") had received a Writ of Summons and Statement of Claim from Digistar Holdings Sdn Bhd ("Digistar") for claims amounting to RM1,440,711.27 and RM207,606.00 plus interest 8% p.a. to be accrued from 31 August 2007 and 26 July 2006 respectively.

The claims are in respect of the Acceptance Letter dated 13 April 2001 issued by MESB for "The Design, Construction, Equipping, Commissioning and Maintenance of Extra Low Voltage System for the New Alor Star Hospital, Kedah Darul Aman" and the Purchase Quotation dated 31 March 2003 for Digistar to undertake the work for the "Extra Low Voltage System at Nurse Training College, Hospital Alor Star, Kedah Darul Aman" respectively (collectively referred as "the Projects"). The outstanding amounts were resulted from the impending payment from the Projects' main contractor.

MESB's defence dated 7 September 2011 was filed and served on 9 September 2011 in the High Court of Shah Alam and Digistar has served its Reply to Defence on MESB's solicitors on 25 October 2011. The case was fixed for Case Management on 23 November 2011 and matters pending for Digistar solicitor's decision for further course of action.

25. Off Balance Sheet financial instruments

The Group had not entered into any contracts involving off balance sheet financial instruments as at the date of this announcement.

26. Dividends

No dividends have been declared or recommended in respect of the quarter under review.

27. Earnings per share

	3 months ended 30.09.2011	9 months ended 30.09.2011
Profit/(Loss) attributable to owners of the parent (RM)	310,496	(1,357,415)
Weighted average number of ordinary shares in issue	634,906,903	634,906,903
Profit/(Loss) per share (sen)		
- Basic	0.05	(0.21)
- Diluted	0.05	(0.21)

The Group does not have in issue any financial instruments or other contracts that may entitle its holder to ordinary shares and therefore dilute its basic loss per share.

28. Disclosure of Realised and Unrealised losses

The breakdown of the accumulated loss of the Group as at reporting date, into realised and unrealised loss, is as follows:

	As at 30.09.2011 RM	As at 31.12.2010 RM
Total accumulated losses		
- Realised	(6,309,212)	(6,256,003)
- Unrealised	2,165,136	2,671,298
	<u>(4,144,076)</u>	<u>(3,584,705)</u>
Less: Consolidation adjustments	(8,696,377)	(7,898,333)
Accumulated loss as per consolidated accounts	<u>(12,840,453)</u>	<u>(11,483,038)</u>

29. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 November 2011.