



METRONIC GLOBAL BERHAD

(Company No. : 632068-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 JUNE 2017

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

(The figures have not been audited)

	Individual quarter		Cumulative quarter	
	30.6.2017 RM	30.6.2016 RM	30.6.2017 RM	30.6.2016 RM
Continuing operations				
Revenue	7,749,457	12,954,674	17,794,049	24,997,885
Cost of sales	(5,350,317)	(5,918,394)	(11,778,737)	(14,452,718)
Gross profit	2,399,140	7,036,280	6,015,312	10,545,167
Other income	2,178,818	127,904	2,178,849	3,805,306
Administration expenses	(1,293,441)	(671,004)	(1,993,366)	(1,405,317)
Other operating expenses	(2,976,753)	(4,742,663)	(5,655,630)	(8,462,925)
Profit from operations	307,764	1,750,517	545,165	4,482,231
Finance costs	(107,304)	(78,825)	(219,678)	(150,879)
Profit/(Loss) before taxation	200,460	1,671,692	325,487	4,331,352
Income tax expense	(22,472)	(28,856)	(23,196)	(83,000)
Profit / (Loss) for the period from				
- continuing operations	177,988	1,642,836	302,291	4,248,352
- discontinued operations	(26,182)	93,925	(52,407)	47,435
Net profit/(loss) for the period	151,806	1,736,761	249,884	4,295,787
Net profit/(loss) attributable to:				
Owners of the parent	154,686	1,726,429	256,831	4,290,569
Non controlling interest	(2,880)	10,332	(6,947)	5,218
	151,806	1,736,761	249,884	4,295,787
Basic earning / (loss) per share attributable to equity holders of the Company (sen):				
- continuing operations	0.02	0.22	0.04	0.56
- discontinued operations	-	0.01	(0.01)	0.01

The interim consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	Individual quarter		Cumulative quarter	
	30.6.2017 RM	30.6.2016 RM	30.6.2017 RM	30.6.2016 RM
Net profit from:				
- continuing operations	177,988	1,642,837	302,291	4,248,352
- discontinued operations	(26,182)	93,925	(52,407)	47,435
Net profit for the period	<u>151,806</u>	<u>1,736,762</u>	<u>249,884</u>	<u>4,295,787</u>
Other comprehensive income / (expense)				
Revaluation Reserve	(78,780)	-	(118,710)	-
Foreign currency translation	(89,944)	(374,445)	(135,696)	(230,397)
Other comprehensive income/(expense) for the period, net of tax	(168,724)	(374,445)	(254,406)	(230,397)
Total comprehensive income/(expense) for the period, net of tax	<u>(16,918)</u>	<u>1,362,317</u>	<u>(4,522)</u>	<u>4,065,390</u>
Total comprehensive income/(expense) attributable to:				
Owners of the parent	(14,038)	1,351,985	2,425	4,060,172
Non-controlling interests	(2,880)	10,332	(6,947)	5,218
	<u>(16,918)</u>	<u>1,362,317</u>	<u>(4,522)</u>	<u>4,065,390</u>

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	As at 30.6.2017 RM	(Audited) As at 31.12.2016 RM
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	16,184,636	16,734,559
Investment properties	17,714,838	18,135,841
Land held for property development	161,403	161,403
Available-for-sale financial assets	6,624,088	6,727,677
Deferred tax assets	3,153,629	3,153,629
	<u>43,838,594</u>	<u>44,913,109</u>
CURRENT ASSETS		
Property development cost	15,844,694	13,988,926
Inventories	894,516	1,086,215
Trade receivables	15,676,051	15,168,984
Other receivables	19,223,517	11,643,872
Tax recoverable	78,887	44,384
Short term deposits	2,944,131	2,944,130
Cash and bank balances	2,172,737	797,436
Asset of disposal company classified as held for sale	4,598,388	4,572,686
	<u>61,432,921</u>	<u>50,246,633</u>
TOTAL ASSETS	<u>105,271,514</u>	<u>95,159,742</u>
EQUITY AND LIABILITIES		
Share capital	89,212,524	75,839,750
Revaluation reserve	23,921,578	24,040,288
Foreign currency translation reserve	(704,660)	(568,964)
Accumulated losses	(36,812,687)	(37,069,518)
Equity attributable to owners of the parent	<u>75,616,755</u>	<u>62,241,556</u>
Non-controlling interests	<u>77,401</u>	<u>84,345</u>
TOTAL EQUITY	<u>75,694,156</u>	<u>62,325,901</u>
NON-CURRENT LIABILITIES		
Loans and borrowings	<u>42,769</u>	<u>145,959</u>
CURRENT LIABILITIES		
Trade payables	3,493,233	6,006,310
Other payables	18,386,384	13,415,207
Amount owing to a director	-	5,564,230
Loans and borrowings	5,492,710	5,324,703
Provision of taxation	-	-
	<u>27,372,327</u>	<u>30,310,450</u>
Liabilities of disposal company classified as held for sale	<u>2,162,262</u>	<u>2,377,432</u>
TOTAL LIABILITIES	<u>29,577,358</u>	<u>32,833,841</u>
TOTAL EQUITY AND LIABILITIES	<u>105,271,514</u>	<u>95,159,742</u>
NET ASSET PER SHARE	0.08	0.08

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

	← Attributable to owners of the parent →				Total RM	Non- controlling interests RM	Total equity RM
	Share capital RM	Revaluation reserve RM	Foreign currency translation reserve RM	Distributable reserve Accumulated losses RM			
As at 1 January 2016	75,839,750	13,113,034	270,323	(32,064,549)	57,158,558	87,993	57,246,551
Total comprehensive income/(expense)	-	10,927,254	(839,287)	(5,004,969)	5,082,998	(3,648)	5,079,350
Allotment of shares during the year	-	-	-	-	19,223,517	-	19,223,517
As at 31 December 2016	<u>75,839,750</u>	<u>24,040,288</u>	<u>(568,964)</u>	<u>(37,069,518)</u>	<u>81,465,073</u>	<u>84,345</u>	<u>81,549,418</u>
As at 1 January 2017	75,839,750	24,040,288	(568,964)	(37,069,518)	62,241,556	84,345	62,325,901
Total comprehensive income	-	(118,710)	(135,696)	256,831	2,425	(6,947)	(4,522)
Allotment of shares during the year	13,372,774	-	-	-	13,372,774	3	13,372,777
As at 30 June 2017	<u>89,212,524</u>	<u>23,921,578</u>	<u>(704,660)</u>	<u>(36,812,687)</u>	<u>75,616,755</u>	<u>77,401</u>	<u>75,694,156</u>

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

(The figures have not been audited)

	30.6.2017	(Audited) 31.12.2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation from:		
Continuing operations	325,487	(871,301)
Profit / (Loss) from assets held for sale (Note 3)	(52,407)	(13,450)
Adjustments for:		
Bad debt written off	86,753	5,441,284
Depreciation of investment properties (Note 24)	2,815	16,696
Depreciation of property, plant and equipment (Note 24)	396,327	719,233
(Gain) / Loss on disposal of available-for-sale financial assets (Note 24)	(790,264)	990,565
(Gain) / Loss on unrealised foreign exchange (Note 24)	-	16
Gain on disposal of plant and equipment (Note 24)	(24,941)	-
Impairment losses on receivables (Note 24)	-	3,625,905
Impairment loss / (reversal) on available-for-sale financial assets (Note 24)		
- Quoted equity	(1,470)	4,411,211
- Unquoted equity	-	-
Property, plant and equipment written off	207,052	23,590
Reversal of Impairment losses of receivables	(37,352)	(5,656,212)
Provision for slow moving inventory	-	1,497,062
Write-back of provision and accruals	(1,388,533)	
Finance costs	219,678	513,915
Interest income	(53)	(111,499)
Operating profit before working capital changes	(1,056,907)	10,587,015
Changes in working capital:		
Inventories	191,699	1,335,787
Receivables	(8,086,712)	(16,644,633)
Property development costs	(1,855,768)	(3,200,683)
Payables	(1,925,084)	911,897
Net cash generated from/(used in) operations	(12,732,773)	(7,010,617)
Tax paid	(23,196)	(54,584)
Tax refund	-	123,415
Net cash generated from/(used in) operating activities	(12,755,969)	(6,941,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	53	111,499
Purchase of available-for-sale financial assets	(928,319)	(8,200,467)
Purchase of property, plant and equipment	(74,323)	(289,428)
Proceeds from disposal of available-for-sale financial assets	1,767,855	5,129,435
Proceeds from disposal of property, plant and equipment	115,000	-
Net cash (used in) / generated from investing activities	880,265	(3,248,961)

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

(The figures have not been audited)

	30.6.2017	(Audited) 31.12.2016
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from a director	-	5,564,230
Interest paid	(219,678)	(513,915)
Withdrawal of fixed deposits pledged with licensed banks	-	1,766,536
Drawdown of bankers' acceptances	1,023,363	1,320,744
Proceeds from allotment of shares	13,372,774	-
Repayment of obligation under finance leases and hire purchase	(142,308)	(111,911)
Repayment of margin facilities	(368,528)	-
Net cash generated from financing activities	<u>13,665,622</u>	<u>8,025,684</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	1,789,918	(2,165,063)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(135,696)	181,292
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY 2017	<u>(2,153,059)</u>	<u>(169,288)</u>
CASH AND CASH EQUIVALENTS AS AT 30 JUNE 2017	<u>(498,837)</u>	<u>(2,153,059)</u>
Cash and cash equivalents at the balance sheet date comprise the following:		
Cash and bank balances	2,172,737	797,436
Bank overdraft (Note 21)	(2,671,574)	(2,950,495)
	<u>(498,837)</u>	<u>(2,153,059)</u>

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2017 PURSUANT TO MFRS 134

1. Basis of Preparation

This unaudited condensed consolidated interim financial statements ("Condensed Report"), has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. The Condensed Report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached herein for a better understanding of changes in financial position and performance of the Group.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2016.

2.1 Adoption of Amendments and Annual Improvements to Standards

On 1 January 2016, the Group adopted the following the following MFRS and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for annual periods beginning on or after 1 January 2016.

MFRS 14 - Regulatory Deferral Accounts
Amendments to MFRS 10 Consolidated Financial Statements
Amendments to MFRS 11 Joint Arrangements
Amendments to MFRS 12 Disclosure of Interests in Other Entities
Amendments to MFRS 101 Presentation of Financial Statements
Amendments to MFRS 116 Property, Plant and Equipment
Amendments to MFRS 127 Consolidated and Separate Financial Statements
Amendments to MFRS 128 Investments in Associates and Joint Ventures
Amendments to MFRS 138 Intangible Assets
Amendments to MFRS 141 Agriculture
Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above MFRS and Amendments to MFRSs did not have any material impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
MFRS 15 Clarification to MFRS 15
Amendments to MFRS 2 Share-based Payment
Amendments to MFRS 140 Investment Property
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

2. Significant Accounting Policies (Continued)

2.2 Standards issued but not yet effective (Continued)

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 except as discussed below:

MFRS 9 Financial Instruments : Classification and Measurement

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristic and the business model under which they are held. The impairment requirements in MFRS 9 are based on expected credit loss model and replace the MFRS 139 Financial Instruments: Recognition and Measurement incurred loss model. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group does not expect a significant change to the measurement basis arising from the adoption of the new classification and measurement model under MFRS 9. Loans and receivables that are currently accounted for using amortised cost will continue to be accounted for using amortised cost model under MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 15 also applied.

3. Assets classified as held for sale and disposal of subsidiary

On 29 August 2014, The Company has signed a Share Purchase Agreement to dispose of its 89% owned subsidiary, Metronic Engineering Private Limited ("MEPL") for a consideration of INR9,840,000. The disposal is pending completion. As such, MEPL has been classified as Assets held for sales and discontinued operations. The results of assets held for sale and discontinued operations are as follows:

	Cumulative quarter	
	30.6.2017	30.6.2016
	RM	RM
Revenue	-	1,321,302
Cost of sale	-	(1,056,522)
Other Income	-	441
Expenses	(52,407)	(213,586)
Interest expenses	-	(4,200)
(Loss)/Profit before tax from assets held for sale	(52,407)	47,435
Income tax expense	-	-
(Loss)/Profit after tax from assets held for sale	(52,407)	47,435

Included in assets classified as held for sale in the Group Statements of Financial Position as at 30 June 2017 are :

	30.6.2017	Audited
	RM	31.12.2016
	RM	RM
Property, plant and equipment	5,684	7,234
Deferred tax assets	10,819	10,755
Inventories	1,464,167	1,455,479
Trade receivables	2,348,154	2,334,220
Other receivables	22,141	22,010
Cash & Bank Balances	747,423	742,988
	4,598,388	4,572,686
Less : Impairment on disposal of subsidiary	-	-
Assets classified as held for sale	4,598,388	4,572,686

	30.6.2017	Audited
	RM	31.12.2016
	RM	RM
Trade payables	285,038	283,346
Other payables	916,601	860,651
Loans and borrowings	1,145,765	1,138,966
Foreign currency translation reserve	(185,142)	94,469
Liabilities classified as held for sale	2,162,262	2,377,432

4. Seasonality or cyclicity of interim operations

The Group's interim operation are not materially affected by seasonal or cyclical factors during the financial period 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 of the Group during the current financial quarter under review except as disclosed in Note 15 and 20.

6. Material changes in estimates

There were no changes in estimates that have had any material effect on the result for the current financial quarter and financial period under review.

7. Debt and equity securities

There were no issuances, repurchases and repayments of debt securities during the financial quarter and financial period under review.

8. Dividends

No dividend was paid during the current financial quarter and previous corresponding quarter.

9. Segmental information

Analysis by segments is as follow:-

By geographical segments:

	Individual quarter		Cumulative quarter	
	30.6.2017 RM	30.6.2016 RM	30.6.2017 RM	30.6.2016 RM
Segment revenue				
Malaysia	7,749,457	12,954,674	17,794,049	24,997,885
Overseas	-	-	-	-
Continued operations	7,749,457	12,954,674	17,794,049	24,997,885
Discontinued operation	-	627,180	-	1,321,302
Inter-segment elimination	-	-	-	-
External customers	7,749,457	13,581,854	17,794,049	26,319,187
Results				
Operating results				
Malaysia	326,375	4,839,616	625,623	4,482,231
Overseas	(59,683)	(3,089,099)	(121,530)	-
	266,692	1,750,517	504,093	4,482,231
Finance costs	(107,304)	(78,825)	(219,678)	(150,879)
Profit/(loss) before tax				
- Continued operation	159,388	1,671,692	284,415	4,331,352
Profit/(loss) before tax				
- Discontinued operation	(26,182)	93,925	(52,407)	47,435
Profit/(Loss) before tax	133,206	1,765,617	232,008	4,378,787

By business segments:

	Individual quarter		Cumulative quarter	
	30.6.2017 RM	30.6.2016 RM	30.6.2017 RM	30.6.2016 RM
Segment revenue				
Engineering	7,749,457	12,954,674	17,794,049	24,997,885
Investment holding	-	-	-	-
Continued operations	7,749,457	12,954,674	17,794,049	24,997,885
Discontinued operation	-	627,180	-	1,321,302
Inter-segment elimination	-	-	-	-
External customers	7,749,457	13,581,854	17,794,049	26,319,187

9. Segmental information (continue)

	Individual quarter		Cumulative quarter	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM	RM	RM	RM
Results				
Operating results				
Engineering	(483,051)	3,386,330	214,983	5,770,063
Investment holding	749,743	(1,635,813)	289,110	(1,287,832)
	<u>266,692</u>	<u>1,750,517</u>	<u>504,093</u>	<u>4,482,231</u>
Finance costs	<u>(107,304)</u>	<u>(78,825)</u>	<u>(219,678)</u>	<u>(150,879)</u>
Profit/(Loss) before tax				
- Continued operations	159,388	1,671,692	284,415	4,331,352
Profit/(loss) before tax				
- Discontinued operation	<u>(26,182)</u>	<u>93,925</u>	<u>(52,407)</u>	<u>47,435</u>
Profit/(Loss) before tax	<u>133,206</u>	<u>1,765,617</u>	<u>232,008</u>	<u>4,378,787</u>

10. Material subsequent events

Other than those disclosed in Note 20, there were no material subsequent events during the period ended 30 June 2017.

11. Changes in the composition of the Group

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

12. Contingent liabilities

Contingent liabilities of the Group as at the latest practicable date are as follows:

	RM
(a) Secured :	
Performance and financial guarantees issued by the banks to third parties	<u>6,512,999</u>
(b) Unsecured	RM
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>41,800,000</u>
Corporate guarantees given to performance for project granted to subsidiaries	<u>43,042,826</u>

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.

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

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

15. Performance review

Continuing operations

Quarter and Period Ended 30 June 2017

The Group recorded revenue of RM7.7 million and RM17.8 million for the current quarter and cumulative period under review respectively. The amounts are RM5.2 million (or 40%) and RM7.2 million (or 29%) lower than the corresponding period of RM12.9 million and RM24.9 million recorded in the previous financial year. The decrease mainly due to lower revenue from contract works resulted from completion of several contracts in the preceding period.

The Group posted profit before taxation of RM159 thousand and RM284 thousand for the current quarter and cumulative period under review respectively. These are representing a decrease of RM1.5 million (or 85%) and RM4.0 million (or 93%) compared to the profit before tax of RM1.6 million and RM4.3 million recorded in the corresponding period previous year.

The Group's unfavorable financial performance for the current quarter and period under review attributed mainly due to lower revenue generated from contract works due to completion or final stage of progress of key projects. In addition to that, the results were also affected by lower margin accounted for the on-going remaining contract works. Included in the current quarter results were also professional fees incurred for the placement issue exercise, the proposed rights issue and share consolidation exercise, banking facilities and legal fees in pursuant to court related matters in Malaysia and China.

The Group had undertook various initiatives to improve its financial results and operational efficiency, among others, disposal of investment whereby in the current quarter the Group recorded a gain from sale of shares amounting RM790 thousand. Apart from that, the Group had recorded a write-back of provision and accruals amounting to RM1.4 million.

Below in the summary analysis of the financial results:

RM	Individual Period (2nd quarter)		Changes (Amount%)	Cumulative Period		Changes (Amount%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-Date	Preceding Year Corresponding Period	
	30/06/17	30/06/16		30/06/17	30/06/16	
Revenue	7,749,457	12,954,674	-40%	17,794,049	24,997,885	-29%
Operating Profit	2,399,140	7,036,280	-66%	6,015,312	10,545,167	-43%
Profit/(Loss) Before Interest & Tax	266,692	1,750,518	-85%	504,093	4,482,231	-89%
Profit/(Loss) Before Tax	200,460	1,671,692	-88%	325,487	4,331,352	-92%
Profit/(Loss) After Tax	177,988	1,642,836	-89%	302,291	4,248,352	-93%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	154,686	1,726,429	-91%	256,831	4,290,569	-94%

16. Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter

In the current quarter under review, the Group recorded revenue of RM7.7 million, a decrease by RM2.3 million or 23% compared to the preceding quarter due to lower revenue from contract works.

The Group however registered a higher profit before taxation of RM159 thousand compared to RM125 thousand in the preceding quarter. The favorable performance was among others due to gains recognized for the disposal of shares amounting to RM790 thousand and a write-back of accruals amounting to RM1.3 million.

16. Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter

The summary analysis is as follows:

RM	Current Quarter 30/06/17	Immediate Preceding Quarter 31/03/17	Changes (Amount%)
Revenue	7,749,457	10,044,592	-23%
Operating Profit	2,399,140	3,616,172	-34%
Profit/(Loss) Before Interest & Tax	266,692	237,401	12%
Profit/(Loss) Before Tax	200,460	125,027	60%
Profit/(Loss) After Tax	177,988	124,303	
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	154,686	102,145	51%

17. Current year prospects

The Group is aware of the challenges ahead for the Engineering Division with the competition and current economic situation. In addition to the diversification into property segment, the Group will continue to explore other new opportunities 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.

The Group's balance order book is stood at RM30 million and its presently tendering contracts totaling RM308 million.

The Group also undertakes to rationalize its available asset and investments towards optimising returns.

18. Profit forecast or profit guarantee

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

19. Taxation

	Individual quarter		Cumulative quarter	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM	RM	RM	RM
Income tax expense:				
Malaysian income tax				
- Current	22,472	28,855	23,196	83,000
- Under provision in prior year	-	-	-	-
Deferred Tax				
- Relating to origination and reversal of temporary differences	-	-	-	-
- Under provision in prior year	-	-	-	-
	<u>22,472</u>	<u>28,855</u>	<u>23,196</u>	<u>83,000</u>

Income tax expense is recognized in each interim period based on the best estimate of the income tax payable for the full financial year.

20. Status of Corporate Proposals

a On 10 March 2017, the Company proposed to undertake a private placement of new ordinary shares in Metronic of up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares) to third party investors. On 17 March 2017, Bursa Securities had approved the listing and quotation of up to 75,839,750 new Metronic shares to be issued pursuant to the Proposed Private Placement.

On 28 April 2017, 67,200,000 number of shares under the Proposed Private Placement were issued at the price of RM0.07 per share. With that, the issued and paid up share capital increased to 825,597,503 number of shares.

b On 13 March 2017, the final copy of the By-Laws of the Employees Share Option Scheme ("ESOS") was submitted to Bursa Securities, and accordingly the ESOS was effectively implemented. On 28 April 2017, the Company had offered a total of 123,839,625 number of shares at the option price of RM0.07 to eligible employees of Metronic in accordance with the By-Laws of the ESOS.

Subsequently on 5 May 2017, 61,428,560 number of shares were issued and listed under this ESOS. On 9 May 2017, another 62,111,065 number of shares were issued and listed. On 18 May 2017, another 300,000 number of shares were issued and listed.

Therefore with the above shares being issued and listed on Bursa Securities, the issued and paid up share capital increased to 949,437,128 number of shares.

Following is the status utilisation of the proceeds from the above exercises:

	Proceeds/ Proposed Utilisation	Actual Utilisation	Balance Unutilised	Intended Timeframe for Utilisation
	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>	
Property Development project	11,000	10,268	733	Within 12 months
Loan repayment	700	688	12	Within 6 months
Professional Fees	1,000	953	47	Within 6 months
Working capital	673	476	197	Within 6 months
Total	13,373	12,385	988	

c On 15 June 2017, the Group announced its proposal - the proposed share consolidation and rights issue exercise. The proposal among others involve the proposed consolidation of every three (3) ordinary share into one (1) and the proposed renounceable rights issue of up to 645,342,048 new Company's shares together with up to 484,006,536 free detachable warrants on the basis of four (4) rights shares together with three (3) free warrants for every two (2) existing shares held by the entitled shareholders on an entitlement date to be determined.

The application on the above has been submitted to Bursa Malaysia and presently awaiting for approval.

21. Borrowings

The Group's total borrowing as at 30 June 2017 stood at RM5.4 million, representing a gearing ratio of 0.07 to shareholders equity. The amount was lower than the previous year same date of RM9.0 million.

Breakdown by type of facilities is shown below:

	As at 2nd quarter ended 30 June 2017					
	Long Term		Short term		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
Secured borrowings						
Bank overdraft	-	-	-	2,671,574	-	2,671,574
Bankers' acceptances	-	-	-	2,463,501	-	2,463,501
Hire purchase	-	3,651	-	117,267	-	120,918
Margin Financing	-	-	-	240,201	-	240,201
Sub-Total	-	3,651	-	5,492,544	-	5,496,195
Un-Secured borrowings						
Nil	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total	-	3,651	-	5,492,544	-	5,496,195

	As at 2nd quarter ended 30 June 2016					
	Long Term		Short term		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
Secured borrowings						
Bank overdraft	-	-	-	2,925,292	-	2,925,292
Bankers' acceptances	-	-	-	3,785,582	-	3,785,582
Hire purchase	-	145,959	-	173,892	-	319,851
Margin Financing	-	-	-	2,000,000	-	2,000,000
Sub-Total	-	145,959.00	-	8,884,766	-	9,030,725
Un-Secured borrowings						
Nil	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total	-	145,959	-	8,884,766	-	9,030,725

22. Proposed Dividend

There was no dividend proposed in the current quarter and the previous corresponding quarter.

23. Earnings per share

	Individual quarter		Cumulative quarter	
	30.6.2017	30.06.2016	30.6.2017	30.06.2016
	RM	RM	RM	RM
Profit / (Loss) attributable to ordinary equity owners of the parent				
- Continuing operations	177,988	1,642,837	302,291	4,248,352
- Discontinued operations	(23,302)	93,925	(45,460)	47,435
	<u>154,686</u>	<u>1,736,762</u>	<u>256,831</u>	<u>4,295,787</u>
Weighted average number of ordinary shares in issue	840,507,007	758,397,503	840,507,007	758,397,503
Basic earnings per share (sen)				
- Continuing operations	0.02	0.22	0.04	0.56
- Discontinued operations	-	0.01	(0.01)	0.01
	<u>0.02</u>	<u>0.23</u>	<u>0.03</u>	<u>0.57</u>

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and which may dilute its basic earnings per share.

24. Profit/(Loss) for the period

	Individual quarter		Cumulative quarter	
	30.6.2017	30.6.2016	30.6.2017	30.06.2016
After charging/(crediting):	RM	RM	RM	RM
Auditors' remuneration	26,450	44,497	53,489	69,497
Bad debt written off	43,151	-	86,753	-
Depreciation of investment proper	1,407	-	2,815	-
Depreciation of property, plant and equipment	194,008	131,764	396,327	253,684
Directors' fee	34,500	28,500	57,000	57,000
(Gain) / Loss on foreign exchange	-	-	-	-
- realised	22,606	16	38,823	16
(Gain) / Loss on disposal of	-	-	-	-
- available-for-sale financial assets	(789,238)	170,267	(790,264)	170,267
- property, plant and equipment	(24,941)	-	(24,941)	-
Impairment loss on disposal of subsidiary	-	1,422,376	-	1,422,376
Impairment loss / (reversal) on investment in	-	-	-	-
- Quoted shares	158,143	-	(1,470)	-
- Unquoted shares	-	46,266	-	1,136,912
Interest expenses	107,304	78,825	219,678	150,879
Interest income	(22)	(19,365)	(53)	(19,384)
Other Income - Other creditors written-off	-	-	-	(3,092,138)
Written off property, plant and equipments	207,052	-	207,052	-
Rental expenses	30,550	26,880	57,800	65,437
Reversal of impairment loss of receivables	(0)	-	(37,352)	-
Reversal of provision for impairment & accruals	(1,388,533)	-	(1,388,533)	-
Staff cost	2,155,939	2,511,232	4,589,380	5,063,595

25. Audit Report

The auditors' report on Group's financial statements for the year ended 31 December 2016 was not qualified.

26. 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 30 August 2017.

27. 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:

	30.6.2017	30.06.2016
	RM	RM
Total accumulated losses		
- Realised	(21,425,068)	(27,615,403)
- Unrealised	3,153,629	7,268,878
	<u>(18,271,439)</u>	<u>(20,346,525)</u>
Less: Consolidation adjustments	(18,541,248)	(7,427,455)
Accumulated loss as per consolidated accounts	<u><u>(36,812,687)</u></u>	<u><u>(27,773,980)</u></u>