

# METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

## Annual Report 2004



### METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

No. 2 Jalan Astaka U8/83,  
Seksyen U8, Bukit Jelutong,  
40150 Shah Alam,  
Selangor Darul Ehsan, Malaysia

Tel : 603-7847 2111  
Fax : 603-7847 5111  
Email : mesb@metronic-group.com  
Website : www.metronic-group.com

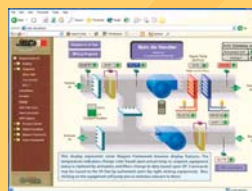
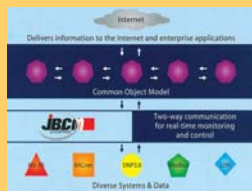


Certificate No: 403813



2004  
Celebrating Malaysia's  
Enterprising Spirit





# Contents

<b>Notice of Annual General Meeting</b>	<b>2</b>
<b>Corporate Information</b>	<b>6</b>
<b>Corporate Milestone</b>	<b>7</b>
<b>Corporate Structure</b>	<b>8</b>
<b>Five Year Financial Highlights</b>	<b>9</b>
<b>Profile of Directors</b>	<b>11</b>
<b>Chairman's Statement</b>	<b>13</b>
<b>Statement on Corporate Governance</b>	<b>15</b>
<b>Audit Committee Report</b>	<b>20</b>
<b>Statement on Internal Control</b>	<b>23</b>
<b>Financial Statements</b>	<b>25</b>
<b>Analysis of Shareholdings</b>	<b>61</b>
<b>List of Properties</b>	<b>63</b>
<b>Form of Proxy</b>	

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of Metronic Global Berhad will be held at Room St Andrew's 1 & 2, Pan Pacific Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250, Shah Alam, Selangor Darul Ehsan on Wednesday, 15 June 2005 at 10.00 a.m. for the following purposes:

### Ordinary Business

1. To receive and adopt the Audited Financial Statements for the period ended 31 December 2004 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of a Final Dividend of 3% less income tax 28% in respect of the financial year ended 31 December 2004. **(Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Article 79 of the Company's Articles of Association and who being eligible, have offered themselves for re-election:
  - i) En Amirudin bin Mohd Baria **(Resolution 3)**
  - ii) Mr Li Ji Chang **(Resolution 4)**
4. To re-elect the following Directors retiring in accordance with Article 86 of the Company's Articles of Association and who being eligible have offered themselves for re-election:
  - i) Mr Lee Fok Chong **(Resolution 5)**
  - ii) En. Subhi bin Hj Dziyauddin **(Resolution 6)**
5. To approve the payment of Directors' Fees in respect of the financial period ended 31 December 2004. **(Resolution 7)**
6. To re-appoint Messrs Ernst & Young as Auditors for the ensuing year and to authorize the Directors to fix their remuneration. **(Resolution 8)**

### Special Business

To consider and if thought fit, to pass the following as ordinary resolutions:

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**  
 "THAT pursuant to Section 132D of the Companies Act, 1965, and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the MESDAQ Market of Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." **(Resolution 9)**
8. **PROPOSED RATIFICATION OF RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE WITH METRONIC CORPORATION SDN BHD**  
 "THAT subject always to the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, all the recurrent related party transactions of a revenue or trading nature entered into or to be entered into by MGB and its subsidiaries ("MGB Group") with Metronic Corporation Sdn Bhd as set out in Section 2.3.1 (i), (iv) of the Circular to Shareholders of the Company dated 20 May 2005 from the date of listing i.e. 24 May 2004 up to the date of the Second Annual General Meeting, be and are hereby approved and ratified." **(Resolution 10)**
9. **PROPOSED RATIFICATION OF RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE WITH MEDITECHNIQUE SDN BHD**  
 "THAT subject always to the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, all the recurrent related party transactions of a revenue or trading nature entered into or to be entered into by MGB and its subsidiaries ("MGB Group") with Meditechnique Sdn Bhd as set out in Section 2.3.1 (ii), (v) of the Circular to Shareholders of the Company dated 20 May 2005 from the date of listing i.e. 24 May 2004 up to the date of the Second Annual General Meeting, be and are hereby approved and ratified." **(Resolution 11)**
10. **PROPOSED RATIFICATION OF RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE WITH ITG WORLDWIDE (M) SDN BHD**  
 "THAT subject always to the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, all the recurrent related party transactions of a revenue or trading nature entered into or to be entered into by MGB and its subsidiaries ("MGB Group") with ITG Worldwide (M) Sdn Bhd as set out in Section 2.3.1 (iii) of the Circular to Shareholders of the Company dated 20 May 2005 from the date of listing i.e. 24 May 2004 up to the date of the Second Annual General Meeting, be and are hereby approved and ratified." **(Resolution 12)**
11. **PROPOSED RATIFICATION OF RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE WITH MH PROJECTS SDN BHD**  
 "THAT subject always to the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, all the recurrent related party transactions of a revenue or trading nature entered into or to be entered into by MGB and its subsidiaries ("MGB Group") with MH Projects Sdn Bhd as set out in Section 2.3.1 (vi) of the Circular to Shareholders of the Company dated 20 May 2005 from the date of listing i.e. 24 May 2004 up to the date of the Second Annual General Meeting, be and are hereby approved and ratified." **(Resolution 13)**

## NOTICE OF ANNUAL GENERAL MEETING

### 12. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH METRONIC CORPORATION SDN BHD

"**THAT** pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Metronic Corporation Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (i), (vi) of the Circular to Shareholders of the Company dated 20 May 2005.

**AND THAT** such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

**AND FURTHER THAT** the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate."

(Resolution 14)

### 13. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MEDITECHNIQUE SDN BHD

**THAT** pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Meditechnique Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (ii), (vii) of the Circular to Shareholders of the Company dated 20 May 2005.

**AND THAT** such approval conferred by the shareholders' mandate shall continue to be in force until:

- a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
- b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

**AND FURTHER THAT** the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

(Resolution 15)

### 14. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ITG WORLDWIDE (M) SDN BHD

**THAT** pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with ITG Worldwide (M) Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (iii) of the Circular to Shareholders of the Company dated 20 May 2005.

**AND THAT** such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;

## NOTICE OF ANNUAL GENERAL MEETING

### 14. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ITG WORLDWIDE (M) SDN BHD (CONT'D)

- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever is the earlier.

**AND FURTHER THAT** the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

(Resolution 16)

### 15. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH INTEGRATED COMMERCE SDN BHD

**THAT** pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Integrated Commerce Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (iv) of the Circular to Shareholders of the Company dated 20 May 2005.

**AND THAT** such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
  - (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever is the earlier.

**AND FURTHER THAT** the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

(Resolution 17)

### 16. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MH PROJECTS SDN BHD

**THAT** pursuant to Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, approval be and is hereby given to MGB and/or its subsidiaries ("MGB Group") to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with MH Projects Sdn Bhd for the day-to-day operations of the Group, provided that such RRPTs are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public. Details of the RRPTs are set out in Section 2.3.2 (v) of the Circular to Shareholders of the Company dated 20 May 2005.

**AND THAT** such approval conferred by the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed;
  - (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever is the earlier.

**AND FURTHER THAT** the Directors of the Company and/or any of them be and are/is (as the case may be) hereby authorized to complete and do all such acts and things (including executing such documents under the common seal in accordance with the provisions of the Articles of Association of the Company, as may be required) as they may consider expedient or necessary to give effect to the proposed shareholders' mandate.

(Resolution 18)

## NOTICE OF ANNUAL GENERAL MEETING

### 17. ANY OTHER BUSINESS

To transact any other business for which due notice shall have been given.

#### **NOTICE OF DIVIDEND ENTITLEMENT**

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Second Annual General Meeting of the Company a final dividend of 3% less 28% income tax in respect of the financial year ended 31 December 2004 will be paid on 29 July 2005 to depositors registered in the record of depositors at the close of business on 30 June 2005.

A Depositor shall qualify for entitlement to the Dividend only in respect of:

- a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 30 June 2005 in respect of ordinary transfers.
- b) Shares bought on the MESDAQ Market of Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

AZLAN MOHD ARIFF (LS0008402)  
Company Secretary

Selangor Darul Ehsan  
20 May 2005

#### *NOTES*

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company and provision of Sec 149(1) (b) of the Companies Act 1965 need not be complied with.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy. Duplication of proxy form is allowed for appointment of additional proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under seal or under the hand of an official or attorney duly authorized.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at 650, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. If no name is inserted in the space provided for name of proxy, the Chairman of meeting shall act as proxy.
7. A member should insert the number of shares held in the box provided. If no number is inserted, the form of proxy will be deemed to relate to all shares held by the member.

#### **EXPLANATORY NOTES ON SPECIAL BUSINESS**

##### 1. Resolution 9

#### **Resolution pursuant to Section 132D of the Companies Act, 1965**

The proposed Resolution 9, if passed, would empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for time being for such purpose as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

##### 2. Resolution 10-13

#### **Resolutions pertaining to the ratification of Recurrent Related Party Transactions**

The proposed resolutions, if approved by shareholders, serve to ratify the recurrent related party transactions entered into or to be entered into by MGB and its subsidiaries ("MGB Group") during the period from the date of listing of the Company i.e. 24 May 2004 up to the date of the Second Annual General Meeting.

##### 3. Resolution 14-18

#### **Resolutions pertaining to Shareholders' Mandate for the Recurrent Related Party Transactions**

The proposed resolutions, if passed, will enable the Company and each of its subsidiaries to enter into a recurrent related party transactions with the parties as set out in the Circular to Shareholders of the Company dated 20 May 2005, despatched together with the Annual Report. This authority, subject to renewal thereof, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act 1965 (excluding any extension of such period as may be allowed under the Companies Act 1965) unless earlier revoked or varied by a resolution in a general meeting whichever is earlier.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Name

Tan Sri Dato' Kamaruzzaman bin Shariff  
 Dato' Abd. Gani bin Yusof  
 Dr Ng Tek Che  
 Liew Chiap Hong  
 Lee Fok Chong  
 Subhi bin Hj Dziauddin  
 Amirudin bin Mohd Baria  
 Li Ji Chang

#### Designation

*Executive Chairman*  
*Executive Vice-Chairman*  
*Group Managing Director*  
*Executive Director*  
*Independent Non-Executive Director*  
*Independent Non-Executive Director*  
*Independent Non-Executive Director*  
*Non-Independent Non-Executive Director*

### AUDIT COMMITTEE

#### Name

Lee Fok Chong  
 Subhi bin Hj Dziauddin  
 Amirudin bin Mohd Baria  
 Liew Chiap Hong

#### Designation

Chairman  
 Member  
 Member  
 Member

### REMUNERATION COMMITTEE

#### Name

Lee Fok Chong  
 Subhi bin Hj Dziauddin  
 Amirudin bin Mohd Baria  
 Liew Chiap Hong

#### Designation

Chairman  
 Member  
 Member  
 Member

### NOMINATION COMMITTEE

#### Name

Subhi bin Hj Dziauddin  
 Lee Fok Chong  
 Dr Ng Tek Che

#### Designation

Chairman  
 Member  
 Member

### COMPANY SECRETARY

Azlan Mohd Ariff (LS 0008402)

### REGISTERED OFFICE

650, Block A, Kelana Centre Point  
 No. 3, Jalan SS 7/19, Kelana Jaya  
 47301 Petaling Jaya  
 Selangor Darul Ehsan  
 Tel: 03 - 7804 7076

### REGISTRAR

PFA Registration Services Sdn Bhd (19234-W)  
 Level 13, Uptown 1  
 No. 1 Jalan SS 21/58, Damansara Uptown  
 47400 Petaling Jaya  
 Selangor Darul Ehsan  
 Tel: 03 - 7725 4888  
 Fax: 03 - 7722 2311

### AUDITORS

Ernst & Young (AF 0039)  
 Chartered Accountants

### SPONSOR

Hwang-DBS Securities Berhad (14389-U)  
 Suite 23A, 23A Floor  
 Menara Keck Seng  
 203 Jalan Bukit Bintang  
 55100 Kuala Lumpur  
 Tel: 03 - 2143 7888

### SOLICITORS

Messrs Bahari & Bahari

### PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)  
 United Overseas Bank (Malaysia) Berhad (271809-K)

### STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad  
 Stock name: MTRONIC  
 Stock code: 0043



## CORPORATE MILESTONE

### 22 October 2003

Metronic Global Berhad ("MGB" or "the Company") was incorporated in Malaysia as a public limited company under the Companies Act, 1965

### 18 March 2004

The Company completed a restructuring scheme and became the holding company of Metronic Engineering Sdn. Bhd. ("MESB") and Metronic Integrated System Sdn. Bhd. ("MISSB")

### 8 April 2004

MGB signed an underwriting agreement with Hwang-DBS Securities Berhad as advisor, underwriter and placement agent to underwrite the public issue of 71 million new ordinary shares of 10 sen each in MGB at an issue price of 21 sen each in conjunction with its listing and quotation on the MESDAQ Market of Bursa Malaysia Securities Berhad.

### 12 April 2004

MESB entered into an agreement to acquire a three-storey semi-detached office building adjacent to the existing headquarter of MGB for a cash consideration of RM2.6 million.

### 30 April 2004

MGB issued its Prospectus for its initial public offering.

### 13 May 2004

A balloting ceremony was held at MIDF Consultancy and Corporate Services Sendirian Berhad, where our public balloting portion of 8 million shares was oversubscribed by 97.55 times. The 54.5 million shares reserved for private placement and 8.5 million shares for eligible employees and business associates were also fully subscribed.

### 18 May 2004

MGB held a media briefing and an analysts' and fund managers' briefing at the JW Marriott Hotel, Kuala Lumpur in conjunction with the listing of MGB.

### 24 May 2004

MGB was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad and made an impressive market debut with its shares opening at 33 sen, a 57% or 12 sen premium over its offer price of 21 sen.

### 13 July 2004

MESB entered into a conditional Acquisition of Shares and Shareholders Agreement with Infocon Holdings (S) Pte Ltd ("ISPL") to purchase 51% equity interest in Infocon (Beijing) Environment Control Technology Company Limited, from ISPL for a cash consideration of USD300,000.

### 17 August 2004

The Company in collaboration with China National Registry of Products and Services Code Company Limited, Free Glider Communication Co. Ltd, and Infocon (Beijing) Environment Control Technology Company Limited, entered into a Collaboration Agreement to jointly implement the National Products and Service Coding System Project in the People's Republic of China.



### 24 August 2004

MGB held an analysts' and fund managers' briefing at the JW Marriott Hotel, Kuala Lumpur on the collaboration to undertake the National Product and Service Coding System Project in the People's Republic of China.

### 26 August 2004

MGB declared an interim dividend of 3% less 28% income tax, amounted to RM612,447 in respect of the financial year ended 31 December 2004 which was paid on 30 September 2004.

### 15 January 2005

The Company incorporated a wholly-owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited ("MMBCL") in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each. The principal activities of MMBCL are design, production and sale of engineered systems for the Information, Communication and Technology industry, specializing in integrated building management system and telecommunication system.

### 28 January 2005

MESB received an award from Deloitte, a leading professional and consultancy firm, as one of the winners of the Deloitte Technology Fast 500 Asia Pacific 2004.

### On 1 March 2005

MESB received an award from Nexwatch USA, a Honeywell company, as the Area Dealer of the Year 2004 - Asia Pacific.

### 15 March 2005

MMBCL entered into a Sale and Purchase Agreement with Beijing Jia Li Heng De Housing Developer Company Limited (name has been translated) for the acquisition of an office suite located at 8th Floor, Top Fine International Center, Beijing, People's Republic of China with a built-up area of approximately 695.09 square metres for a cash consideration of Chinese Reminbi 9,022,268.

### 31 March 2005

MESB signed a Memorandum of Understanding with I-Serve Technology Sdn Bhd to cooperate in a project supplying intelligent building management system to a proposed 28 and 29 floors twin tower building in Doha, Qatar

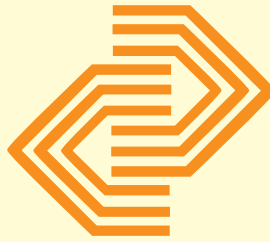
### 7 April 2005

MESB signed a Teaming Agreement with FEC International (M) Sdn Bhd, a company involved in the development of Radio Frequency Identification Device chip known as the MM Chip, to work with each other to utilize the MM Chips for the National Products and Service Coding System Project in the People's Republic of China and to explore other use of MM Chip.



# CORPORATE STRUCTURE

## As At 18 APRIL 2005



### METRONIC GLOBAL BERHAD (632068-V)

100%

#### METRONIC ENGINEERING SDN BHD (125404-M)

**Business Activities**

- (i) System integration specialising in the field of intelligent building management system and integrated security management system
- (ii) e-project management of mechanical and electrical services
- (iii) Supply of engineered system

100%

#### METRONIC INTEGRATED SYSTEM SDN BHD (332032-D)

**Business Activities**

- (i) Procurement of contracts in relation to engineering work specialising in the field of intelligent building management system and integrated security management system
- (ii) Sale of engineering equipment

100%

#### METRONIC MICROSYSTEM (BEIJING) COMPANY LIMITED

**Business Activities**

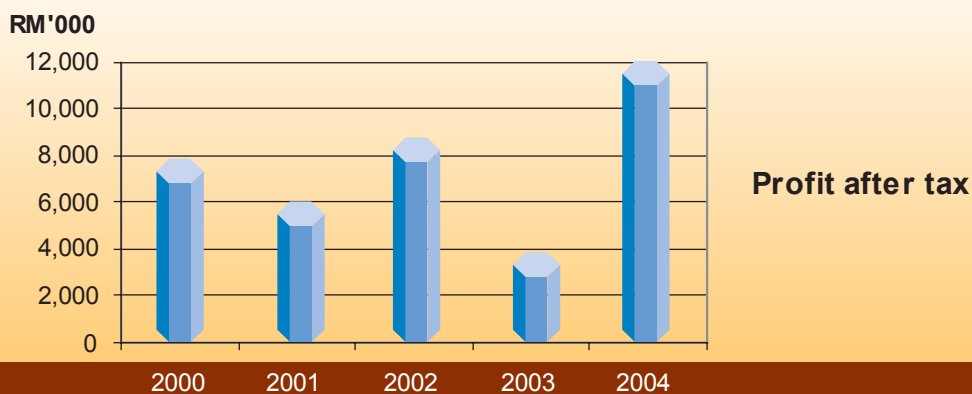
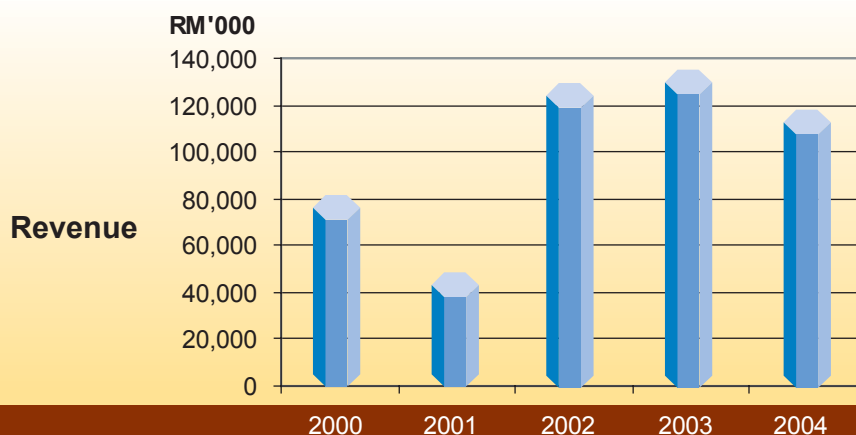
- (i) Design, production and sale of engineered systems for the Information, Communication and Technology industry, specializing in integrated building management system and telecommunication system.

## FIVE YEAR FINANCIAL HIGHLIGHTS

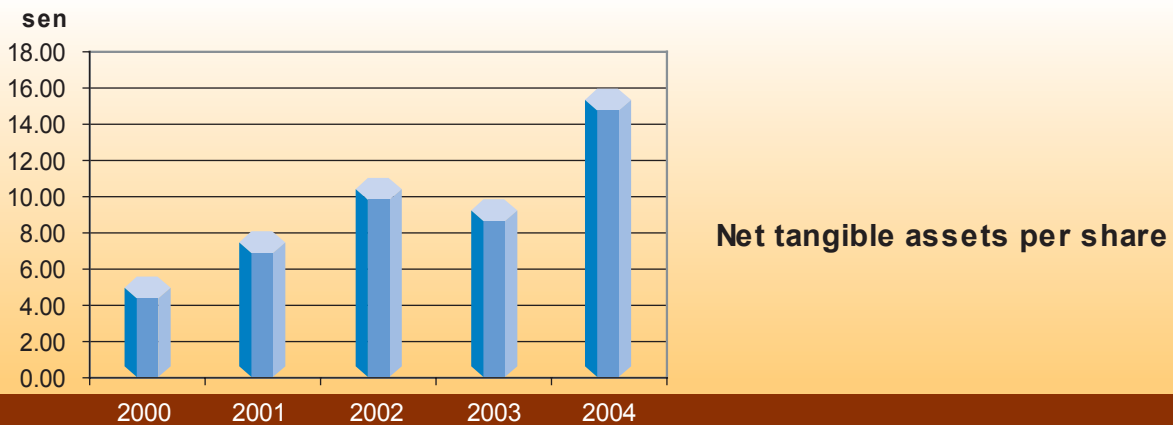
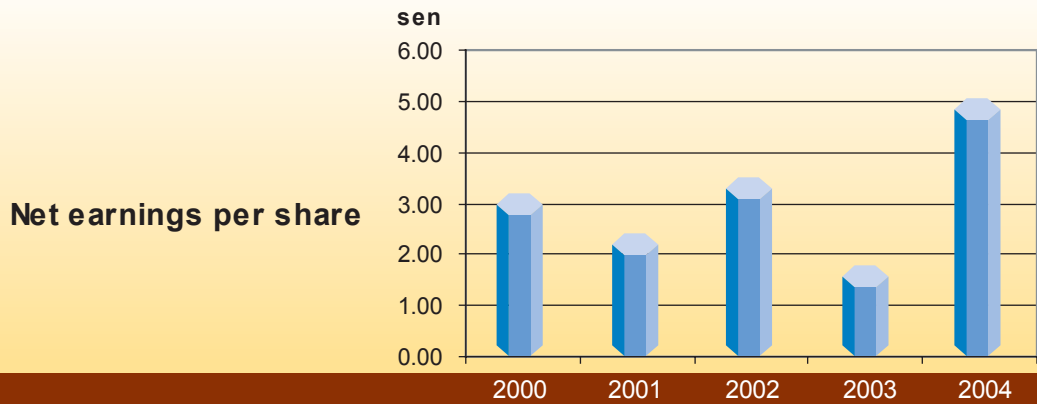
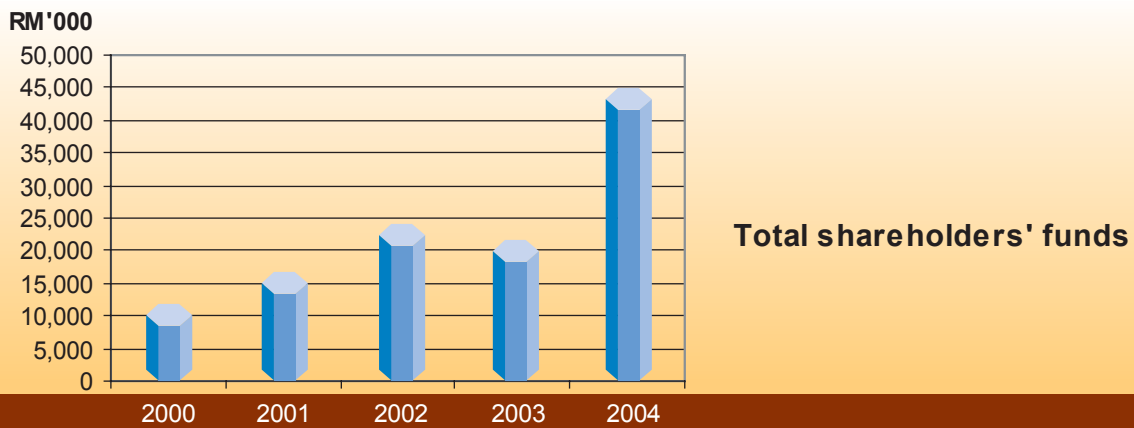
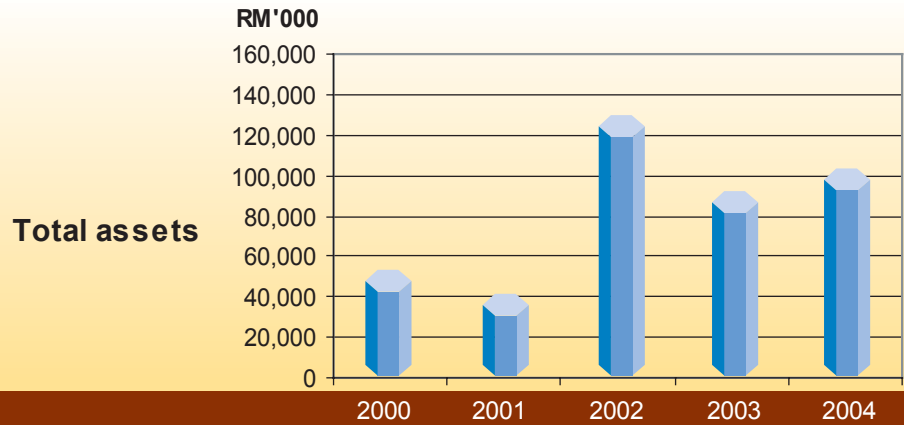
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	82,399	50,307	130,014	131,997	115,206
Profit before tax	9,547	6,552	8,505	7,280	14,556
Profit after tax	6,870	4,933	7,332	3,474	10,697
Total shareholders' funds	12,011	16,944	24,276	21,253	44,844
Total assets	59,768	47,189	141,226	94,158	102,964
Net earnings per share (sen)	3.23	2.32	3.45	1.63	5.07
Net tangible assets per share (sen)	5.65	7.97	11.42	10.00	15.82

Note: The figures for the financial year ended 31 December 2000 to 31 December 2003 are provided on the proforma consolidated basis on the assumption that the existing group structure of MGB had been in existence throughout that period.

The figures for financial period ended 31 December 2004 are prepared since the effective formation of the Group on 18 April 2004.



## FIVE YEAR FINANCIAL HIGHLIGHTS





## PROFILE OF DIRECTORS

### Tan Sri Dato' Kamaruzzaman bin Shariff

Executive Chairman

a Malaysian aged 63, was appointed as the Executive Chairman of the Company on 22 March 2004. He obtained a Bachelor of Arts degree from the University of Malaya in 1963, a Diploma of Public Administration from Carleton University, Canada in 1969 and a Masters in Public Administration from Syracuse University, USA in 1979. He had served in the Malaysian Civil Service for 38 years where he had held various senior positions in the Federal and State Government, having served the last seven (7) years as the Mayor of Kuala Lumpur from 1995 to 2001. His other postings include Secretary General of the Ministry of Defence from 1992 to 1995, Deputy General of the Public Services Department in 1992, Penang State Secretary from 1988 to 1992, Secretary of the Cabinet Division of the Prime Minister's Department from 1983 to 1987, Director of External Assistance and General Affairs for the Economic Planning Unit of the Prime Minister's Department from 1980 to 1983 and senior positions in the Public Services Department from 1972 to 1980 and the Ministry of Education from 1964 to 1972. He has vast administrative, strategic planning and management experience by virtue of his long service in the Malaysian Civil Service.

He currently sits as the Executive Chairman of Major Team Holdings Berhad and Emas Kiara Industries Berhad and as the Non-Executive Chairman of Magna Prima Berhad and Paragon Union Berhad. He is also a director of Kontena National Berhad and several other private limited companies.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 23 to the Financial Statements. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

### Dr Ng Tek Che

Group Managing Director

a Malaysian aged 49, was appointed as the Group Managing Director of the Company on 22 March 2004. He is one of the founders of Metronic Engineering Sdn Bhd ("MESB"), which started as a partnership in 1986. He was conferred the Honorary Degree, Doctor of Philosophy in Business Management (Ph.D.) from Burkes University in September 2003. He holds a Master Degree in Business Administration from Charles Sturt University and a Diploma in Mechanical and Automotive Engineering from Tunku Abdul Rahman College. He started his career as a Design Engineer with a mechanical and engineering consulting firm in 1980. In 1981, he joined a Brunei based engineering company specialising in air-conditioning system. He gained his operational industrial experience during his employment with this company and was largely involved in project tendering, management and supervision of on-going projects. He returned to Malaysia after two (2) years and joined Entech Engineering Sdn Bhd as Sales Engineer, specialising in HVAC controls. Prior to setting up MESB in 1986, he was a Project Sales Engineer with George Kent (M) Berhad.

He does not hold any other directorship in other public company.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 23 to the Financial Statements. He had no convictions of any offences in the past 10 years. He is a major shareholder of the Company.

### Dato' Abd. Gani bin Yusof

Executive Vice-Chairman

a Malaysian aged 50, was appointed as the Executive Vice-Chairman of the Company on 22 March 2004. He graduated from Universiti Sains Malaysia with Bachelor of Science (Hons) in Housing, Building & Planning. His career began in 1981 with Peremba Bhd, a property development company which he left in 1988 as a Project Manager. He joined United Engineers (Malaysia) Bhd ("UEM") in 1988 as General Manager until 1991 where he was promoted to a Project Director. He was Managing Director of Linkedua (M) Bhd and Prolink Development Sdn Bhd, which are companies involved in the construction of the second link in Johor and development of the Nusajaya township from 1993 to 1995.

Currently he is a director of Magna Prima Berhad and holds directorships in several other private limited companies.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 23 to the Financial Statements. He had no convictions of any offences in the past 10 years. He is a major shareholder of the Company.

### Liew Chiap Hong

Executive Director

a Malaysian aged 49, was appointed as the Executive Director of the Company on 22 March 2004. He graduated with a Bachelor of Engineering (Honours) degree from Universiti Malaya. He is a member of Institution of Engineers, Australia, MIE Aust. CP Eng (Chartered Professional Engineer). Upon graduation in 1979, he joined Jabatan Kerja Raya as a State Engineer in charge of projects and maintenance of mechanical building services in government building. In 1982, he joined Group Associated Engineers Sdn Bhd as a Design Engineer. In 1984, he joined Kejuruteraan Bintai Kindenko Sdn. Bhd. as a Mechanical Engineer. Thereafter in 1985, he joined GAE-Trane Sdn. Bhd. as a Marketing Executive and underwent six (6) months intensive training in Sales, HVAC and BAS course in Trane Co. Headquarters in La Crosse, Wisconsin, U.S.A. In 1987, he started a partnership in Benmarl Sdn Bhd to handle mechanical engineering projects. In 1989, he started a partnership in Quest Technology Sdn Bhd to design, supply and install filtration for indoor air quality and gas turbine, dust collection system and clean room system for electronics, pharmaceutical facilities and hospitals. He underwent air-filtration, dust collection and clean room technology courses conducted by the Farr Company in EL Segundo, California. With his vast experience in the electronics, commercial and industrial sectors, he was invited in October 2000 to participate in the growth of MESB in the fast growing high technology sector in the Asia Pacific region.

He does not hold any other directorship in other public company.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 23 to the Financial Statements. He is a major shareholder of the Company.

## PROFILE OF DIRECTORS

### Lee Fok Chong

Independent Non-Executive Director

a Malaysian aged 54, was appointed as the Independent Non-Executive Director of the Company on 7 April 2004. He has more than twenty (20) years of working experience in Finance, Accounting & Administration and has held various senior positions in a number of large organisations. He is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom, a Member of Malaysian Institute of Accountants and a Member of the Chartered Institute of Marketing, United Kingdom. He has been a regular speaker for various institute of training including The National Productivity Centre, The Malaysian Institute of Management and The Malaysian Institute of Accountants. He has also been conducting the Suruhanjaya Syarikat Malaysia training for company directors, especially in the topic of corporate governance. During 1991 to 1996, he had also lectured in Finance and Accounting for the MBA Distance Learning Programme of The University Of Strathclyde, Glasgow, UK. He was a visiting lecturer in 2002-2003 for a distance learning MBA programme in the People's Republic of China, and has lectured in Tianjin, Shenzhen and Guangzhou. He is the founder and Chief Executive Officer of Applied Intellect Management Training Sdn Bhd, a company in operation since 1997 and providing quality and practical training courses for both the private as well as the public sectors.

He does not hold any other directorship in other public company.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

### Subhi bin Hj Dziauddin

Independent Non-Executive Director

a Malaysian aged 41, was appointed as the Independent Non-Executive Director of the Company on 22 March 2004. He graduated with a Bachelor of Science Degree in Engineering Physics from the University of Texas, El Paso, Texas, USA. Upon graduation in 1988, he started his career as a Pilot Trainer with the Royal Malaysian Air Force Flying School in Kepala Batas, Alor Setar, Kedah with the rank of Lieutenant. After spending a few years in the air-force, he left the air-force for the corporate world in 1994 when he joined Indah Water Konsortium Sdn Bhd ("IWK") as the Senior Manager, Entrepreneur Development Program Department. In November 1995, he left IWK to join Puncak Niaga (M) Sdn Bhd as the General Manager, Special Projects and subsequently resigned in 2003. He was directly involved and played a vital role in the successful listing of Puncak Niaga Holdings Berhad ("Puncak Niaga") on the Main Board of BMSB in 1997. He later joined Malaysian Resources Corporation Berhad ("MRCB") in February 1999 as the Director, Special Projects. He left MRCB in January 2000 for Puncak Niaga and was appointed as a Director in Puncak Niaga Overseas Capital Sdn Bhd, a subsidiary of Puncak Niaga.

Currently he also holds directorships in eB Capital Berhad and several other private limited companies.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

### Amirudin bin Mohd Baria

Independent Non-Executive Director

a Malaysian aged 47, was appointed as the Independent Non-Executive Director of the Company on 6 August 2004. He graduated with a Bachelor of Business Administration majoring in Marketing from the University of Wisconsin, USA. Upon graduation in 1987, he started his career as a marketing and credit officer with Arab Malaysia Credit Berhad. After spending a few years in the banking industry, he joined Zenith Corporation as a marketing manager. In 1994, he joined Nam Consultant as manager. During the period from February 1997 to December 1999, he was appointed as the private secretary to YB. Dato' Seri Mohd Najib bin Tun Abd Razak. In December 1999, he returned to Nam Consultant.

He does not hold any other directorship in other public company.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

### Li Ji Chang

Non-Independent Non-Executive Director

a citizen of People's Republic of China, aged 43, was appointed as the Independent Non-Executive Director of the Company on 28 December 2004 and redesignated to Non-Independent Non-Executive Director on 29 April 2005. He graduated with a MBA in management from Shan Dong University, China. He started his career as an officer at Qing Dao State Government. After spending a few years in the state government, he left for the corporate world in 1995 and joined Siemens Building System, Germany as the regional Manager in China. In 1998, he joined Siebe Environmental Controls, USA as the regional manager in China. In 2000, he joined Infocon (Beijing) Environment Technology Controls Company Limited as the regional manager in China. In 2001, he joined Tridium Inc, USA as Vice President and Chief Representative for China.

He does not hold any other directorship in other public company.

He did not have any family relationships with any of the directors and/or major shareholders of the Company and its subsidiaries. He did not have any conflict of interest with the Company. He had no convictions of any offences in the past 10 years. He does not hold any shares in the Company.

## CHAIRMAN'S STATEMENT



**24 May 2004 marked a significant achievement of Metronic Global Berhad ("MGB" or "the Company") and its subsidiaries ("the Group"), with the listing of MGB on the MESDAQ Market of Bursa Malaysia Securities Berhad. Metronic Engineering Sdn Bhd ("MESB"), the core of the Group, made its presence in the local market since 1984. Under the leadership of Dr Ng Tek Che, the Group Managing Director, MESB has expanded from a small engineering firm to one of the leading firms in the field of Intelligent Building Management System ("IBMS") and Integrated Security Management System ("ISMS") in Malaysia.**

MESB has since been transformed into a fully integrated solution provider, specializing in the IBMS and ISMS industry that offers basic building automation or security equipment as well as high-end mechanical and electrical projects that require high technology and expertise in the system integration. Our main technology expertise lies in the customization and redevelopment of the Java Based Control and Monitoring ("JBCM") Enterprise software, an internet-enabled infrastructure software. The JBCM Enterprise is a comprehensive software framework designed to address the challenges of integrating diverse systems and devices - regardless of manufacturer, communication protocol - into an unified platform that can be easily managed in real time over the Internet using a standard web browser. The integration of IBMS and ISMS by JBCM Enterprise represents a significant progress in technological advancements within the building technology arena.

With such an encouraging pace of progress and development from the Group, it is my pleasure to present, on behalf of the Board of Directors of MGB, the Annual Report and Financial Statements of the Group and of the Company for the financial period ended 31 December 2004.

### Proceeds from the Initial Public Offering ("IPO") Exercise

In conjunction with the IPO exercise, the Company raised RM14.91 million to finance capital expenditure for office expansion, repay bank borrowings, finance research and development activities, payment of listing expenses and for general working capital needs. As at todate, the proceeds raised has been fully utilized save for the amount allocated for research and development expenditure.

### Overview

The Group has performed up to expectation for the financial period under review. The Board believes that strong commitment by the Group towards research and development ("R&D") is essential to enhance its competitiveness and maintain sustainable growth in the IBMS and ISMS industry. The continuous R&D efforts exercised by the Group over the years have resulted in the successful implementation and commercialization of the Group's flagship in-house developed product, JBCM Enterprise. As an indication of the growing customer confidence, we have secured two major local projects worth RM17 million for JBCM Enterprise.

On the international market expansion, the Group has recently entered into the People's Republic of China market through the incorporation of a wholly-owned subsidiary, Metronic Microsystem (Beijing) Company Limited. The Group also intends to penetrate the Middle East region and India market in the near future through strategic alliance and partnership with other Malaysian corporations.

The Group plans to improve its efficiencies to strengthen its leadership position through continuous process improvement in the area of cost control measures and key performance initiatives. The Group is currently implementing an integrated enterprise resource planning system to enhance the productivity and transparency of its business processes.

### Financial Review

For the financial period ended 31 December 2004, the Group recorded a revenue of RM115.2 million and profit after tax of RM10.7 million, surpassing our forecast profit after tax of RM7.5 million as disclosed in our Prospectus dated 30 April 2004 by 42.7%. The Group recorded net earnings per share of 5.07 sen for the period. The main contributor to the favourable results was the recognition of negative goodwill amounting to RM2.56 million in the income statement. The negative goodwill arose as a result of the acquisition of the subsidiaries pursuant to the Company's listing exercise. The other contributory factor was the improvement in gross profit margin through effective cost control measures, especially in the area of suppliers, subcontractors and inventory management. These coupled with continuous process improvements through implementation of people-focused, process-centric and technology-driven strategies, have resulted in improved operational efficiency, thus translating into higher net profit margin.

### Dividends

During the financial year, the Company paid an interim dividend of 3% less income tax, amounting to RM612,447 on 30 September 2004. In recognition of the Group's commendable performance, the Board is proposing a final dividend of 3% less income tax, amounting to RM612,447, payable on 29 July 2005 subject to approval of shareholders at the forthcoming Annual General Meeting.

Subject to the shareholders' approval, total gross dividends in respect of the financial year ended 31 December 2004 would be 6% per share.



## CHAIRMAN'S STATEMENT

### Corporate Developments

On 13 July 2004, MESB entered into a conditional Acquisition of Shares and Shareholders Agreement with Infocon Holdings (S) Pte Ltd ("ISPL") agreed to purchase 51% equity interest in Infocon (Beijing) Environment Control Technology Company Limited, a subsidiary of ISPL for a cash consideration of USD300,000. The proposed acquisition is pending the settlement of the remaining sum of USD210,000.

On 17 August 2004, the Company in collaboration with China National Registry of Products and Services Code Company Limited, Free Glider Communication Co. Ltd, and Infocon (Beijing) Environment Control Technology Company Limited, entered into a Collaboration Agreement to jointly implement the National Products and Services Coding System Project in the People's Republic of China.

On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited ("MMBCL") in the People's Republic of China ("PRC") with a total registered capital of USD1,250,000 via a subscription of 1,250,000 shares of USD1.00 each. The principal activities of MMBCL are design, production and sale of engineered systems for the Information, Communication and Technology industry, specializing in integrated building management system and telecommunication system. As at the date of this report, the Company has remitted the fund to the PRC for the aforesaid investment.

On 15 March 2005, MMBCL entered into a Sale and Purchase Agreement with Beijing Jia Li Heng De Housing Developer Company Limited (name has been translated) for the acquisition of an office suite located at 8th Floor, Top Fine International Center, Beijing, People's Republic of China with a built-up area of approximately 695.09 square metres for a cash consideration of Chinese Reminbi 9,022,268.

On 31 March 2005, MESB signed a Memorandum of Understanding with I-Serve Technology Sdn Bhd to cooperate in a project supplying intelligent building management system to a proposed 28 and 29 floors twin tower building in Doha, Qatar.

On 7 April 2005, MESB signed a Teaming Agreement with FEC International (M) Sdn Bhd, a company involved in the development of Radio Frequency Identification Device chip known as the MM Chip, to work with each other to explore an opportunity to utilize the MM Chip for the National Product and Service Coding System Project for the Government of the People's Republic of China, and to explore other business opportunities to utilize the MM Chip for projects and products such as the development of security paper for university certificates, vehicle grants and licenses in Malaysia.

### Research and Development ("R&D")

The Group continuously strives to pursue engineering and technological advances through the use of human creativity. To maintain its competitiveness in the market, the Group places strong emphasis on R&D to achieve quality improvement, enhance features and capabilities.

The Group is committed to continuous R&D efforts to keep abreast of market developments, market trends and to enable it to tap into new markets and to ensure the long-term sustainability of its businesses. The Group also rides on the existing platform of its products and develops products that have solid conceptual and architectural foundation to support any future development requirements.

In addition, the Group utilizes a wide variety of its resources and ideas through research discussions to achieve the best possible engineering designs. The team of R&D staff and engineers at the Group work with its customers to refine product designs and to optimize and shorten project implementation time.

For the year 2005, the Group plans to develop the application, products and system development which comprise the followings:

- a. Enhancement and further development of JBCM Enterprise which comprises maintenance management, help desk, facility booking, visitor management, facility monitoring, time and attendance and drawing management;
- b. Development of product registration codes software. The purpose is to issue a registration number to every product produced and to manage all the related information collected for economic intelligence purposes;
- c. Development of sales force automation software to support the business of product registration. The software will keep track of all sales as well as support activities; and
- d. Development of Direct Digital Controller. When programmed using JBCM Enterprise software, or loaded with a pre-engineered application, these controllers provide control for air-conditioning packaged units, heat pumps, air handling units, fan coils, unit ventilators, and similar applications. Controllers feature Sensor Link support, LED indication, screw terminal blocks, as well as DIN rail or panel mounting ability. These controllers can function in either standalone mode or as part of a LON WORKS, BACNet or MODBUS communications network.

### Prospects for 2005

Barring any unforeseen circumstances, with encouraging book order and prospective overseas projects, especially in the People's Republic of China, and with the Group's vigorous effort to improve operational efficiency and strengthening its core activities locally and overseas, the Directors envisage that the Group will continue to record good performance for the next financial year ending 31 December 2005.

### Appreciation and acknowledgement

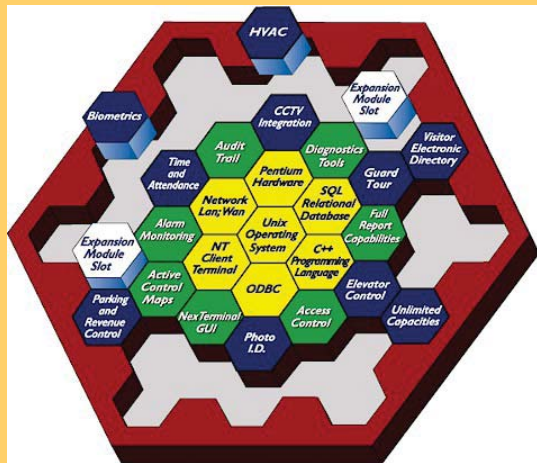
On behalf of the Board, I would like to record my sincere appreciation to all our valued customers, business associates, financial institutions and relevant government authorities for their assistance, continued support and confidence.

My sincere thanks to my fellow board members for their invaluable contribution and heartfelt appreciation to the management and staff for their unwavering dedication and hardwork.

### On behalf of the Board

**Tan Sri Dato' Kamaruzzaman Bin Shariff**  
Executive Chairman

# STATEMENT ON CORPORATE GOVERNANCE



The Board of Directors ("the Board") of Metronic Global Berhad ("MGB or the Company") and its subsidiaries ("the Group") is committed in ensuring that the highest standards of corporate governance are observed and consistently practiced throughout the group as a fundamental part of discharging its responsibility to protect and enhance shareholders value and financial performance of the Group.

The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") require a listed company to apply the Principles and Best Practices of the Malaysia Code on Corporate Governance ("the Code") to raise standards of corporate governance. Measures to implement and adopt the principles and best practices in conjunction with the listing requirements are continuously being carried out.

The Board confirms that the Group has applied the principles in Part 1 of the Code, as well as the best practices set out in Part 2 of the Code with regards to the financial period under review.

The following statement describes how the principles of best practices have been applied.

## A. THE BOARD OF DIRECTORS

### 1) Duties of the Board

An experienced Board leads and maintains full and effective control over the Group's activities. It guides the Group on its short and long term goals, setting objectives and directions, reviewing and adopting strategic plans, overseeing the conduct of the business and managing the Group.

All board members participate fully in decisions on key issues involving the group which include approval of major investments, financial decisions, annual budgets and in establishing key policies and procedures.

### 2) Composition of the Board

The Board of MGB currently consists of eight (8) members, of whom three (3) members of the Board are Independent Non-Executive Directors.

The Board has within it professionals drawn from varied backgrounds bringing in considerable knowledge and expertise to the Group. The Board is assured of balance and independent view at all board deliberation due to the presence of its Independent Non-Executive Directors who are independent of the management and substantial shareholders of the company and are free from any dealings or relationships which could interfere with the exercise of their independent judgement.

The composition of the Board shall be reviewed on an annual basis by the Nomination Committee to ensure the Board has the required mix of skills, expertise, attributes and core competencies to discharge its duties effectively.

There is clear division of responsibility between the Executive Chairman, the Group Managing Director and Executive Directors to ensure there is a balance of power and authority.

### 3) Board Meeting and Supply of Information

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

During the period under review four (4) board meetings were held and the respective attendance are as follows:



MIMOS

## STATEMENT ON CORPORATE GOVERNANCE

Directors	Designation	Attendance of Board Meeting 2004				Total
		11/6/04	26/8/04	22/11/04	28/12/04	
Tan Sri Dato' Kamaruzzaman Shariff	Executive Chairman	o	o	o	o	4
Dato' Abd Gani bin Yusof	Executive Vice Chairman	o	o	o	o	4
Dr. Ng Tek Che	Group Managing Director	o	o	o	o	4
Liew Chiap Hong	Executive Director	o	o	o	o	4
Lee Fok Chong	Independent Non-Executive Director	o	o	o	o	4
Subhi bin Hj Dziauddin	Independent Non-Executive Director	*	*	*	o	1
Amirudin bin Mohd Baria (App w.e.f 6/8/2004)	Independent Non-Executive Director	N/A	o	o	o	3
Li Ji Chang (App w.e.f 28/12/2004)	Non-Independent Non-Executive Director	N/A	N/A	N/A	N/A	N/A

- o - Present  
 \* - Absent with apologies  
 N/A - Not applicable

The Board is provided with agendas and board papers prior to board meetings. The Board papers includes minutes of previous meeting, quarterly financial results, progress reports of Group businesses, strategic proposals, regulatory and audit report for the Board's review and approval.

These documents are issued in advance to enable the Board to seek clarifications from the management to enable effective discharge of it duties.

The Board Members have access to the advice and services of the Company Secretary and other professionals and all informations in relation to the Group to assist in the furtherance of their duties.

#### 4) Board Committee

The Board has established the following committees which operate within clearly defined terms of reference to assist the board in executing its duties and responsibilities. The committees are:

#### i. Audit Committee

The Audit Committee was established on 8 April 2004 to review and monitor the Group's financial results and system of internal controls.

The Committee currently comprises four (4) members of whom three (3) are Independent Non-Executive Directors. The members are:

Members	Designation
Lee Fok Chong (Chairman)	Independent Non-Executive Director
Subhi bin Hj Dziauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director
Liew Chiap Hong	Executive Director

Details of the functions and activities of the committee are set out on pages 20 to 22 of the Annual Report.



## STATEMENT ON CORPORATE GOVERNANCE

### ii. Nomination Committee

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

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

Members	Designation
Subhi bin Hj Dziauddin (Chairman)	Independent Non-Executive Director
Lee Fok Chong	Independent Non-Executive Director
Dr. Ng Tek Che	Group Managing Director

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

### iii. Remuneration Committee

The Remuneration Committee was established on 11 June 2004 to review and recommend to the Board the remuneration package of Executive Directors of the Group with main objective of recommending the level of remuneration attractive enough to attract and retain them to run the Group successfully.

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 determine their remuneration. No director is allowed to be present in the discussion and voting on his or her own remuneration.

Presently the committee comprises four (4) members, three (3) of whom are Independent Non-Executive Directors. The members are:

Members	Designation
Lee Fok Chong (Chairman)	Independent Non-Executive Director
Subhi bin Hj Dziauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director
Liew Chiap Hong	Executive Director

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

### 5) Directors' Training

All Directors except for Mr. Li Ji Chang who is scheduled to attend on 30 May 2005, have successfully completed the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Berhad in compliance with the Listing Requirement. The Board believes that Directors should receive continuous training from time to time and accordingly shall provide and encourage them to attend training and participate in relevant education programme to keep abreast with new development.

### 6) Retirement and Re-election

In accordance with the Articles of Association all Directors are subject to election by shareholders at the first opportunity following their appointment by the Board.

The Articles also provide that all Directors excluding Managing Director, shall retire by rotation so that each shall retire from office at least once in every three (3) years.

Directors who are seventy years of age are required to submit themselves for re-appointment annually in accordance to Section 129(6) of the Companies Act 1965.

At the forthcoming Annual General Meeting the following Directors who retire in accordance with the Company's Articles of Association, and being eligible have offered themselves for re-election.

- i) Mr Li Ji Chang
- ii) Encik Amirudin bin Mohd Baria
- iii) Encik Subhi bin Hj Dziauddin
- iv) Mr Lee Fok Chong

## B. DIRECTORS' REMUNERATION

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

	Executive Directors	Non-Executive Directors	Total
*Fees (RM)	45,000	73,000	118,000
Salaries and Other Emoluments (RM)	712,024	-	712,024

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

## STATEMENT ON CORPORATE GOVERNANCE

The number of Directors whose remuneration falls into the following bands are:

	Executive Director	Non-Executive Director
Below RM50,000	1	3
RM50,001 - RM150,000	-	-
RM150,001 - RM250,000	2	-
RM250,001 - RM350,000	1	-

### C. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Group values dialogue with investors and analysts as a means of effective communication that enables the Board to convey information about latest development of the Group. During the period the Group has held two analysts' and fund managers' briefing on matters relating to the Group's new ventures.

The Company's Annual General Meeting provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. At the Annual General Meeting, shareholders are encouraged to question resolutions proposed or the Group's business operations in general.

Apart from the above and the mandatory announcement of the group financial results and corporate developments to Bursa Malaysia Securities Berhad, the Group has also established a website ([www.metronic-group.com](http://www.metronic-group.com)) to allow public access to group's information, business activities and latest developments and for feedback.

### D. ACCOUNTABILITY AND AUDIT

#### 1) Financial Reporting

The Board has ensured that the financial statement have been prepared in accordance to applicable approved accounting standards, the requirements of the Companies Act 1965 and other regulatory provisions. In preparing the financial statement the Board has ascertained that reasonable prudent judgement and estimates have been consistently applied and accounting policies adopted have been complied with.

#### 2) Internal Control

The Statement on Internal Control set out on pages 23 to 24 of the Annual Report provides an overview of the state of internal control within the Group.

#### 3) Relationship with Auditors

Through the Audit Committee, the Board has established a transparent and appropriate relationship with the Group's external and internal auditors in seeking their professional advice and towards ensuring compliance with applicable accounting standards and statutory requirements.

The external and internal auditors do attend the Audit Committee meeting and the external auditors do report to members of the Company on their findings which are included as part of the Company's financial report in respect of the financial period.

#### 4) Directorship Responsibility Statement for the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

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

- use appropriate accounting policies and consistently apply them;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with the Companies Act, 1965.

The Directors are satisfied that in preparing the financial statements of the Group for the period ended 31 December 2004, the Group has used the appropriate accounting policies and applied them consistently and prudently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirm that the financial statements have been prepared to give a true and fair view of the financial state of affairs of the Group.

## STATEMENT ON CORPORATE GOVERNANCE

### E. OTHER INFORMATION

The following information provided is in respect of the financial period ended 31 December 2004.

#### Utilization of Proceeds

As at 31 December 2004, the status of utilization of the proceeds of RM14.91 million raised by the Company from its initial public offering is as follows:-

Purpose of Proceeds	Proposed utilization	Amount utilized as at 31.12.2004	Amount unutilized
	RM'000	RM'000	RM'000
Repayment of bank borrowings	5,000	5,000	-
Capital expenditure for office expansion	2,600	2,600	-
R&D expenditure	3,000	-	3,000
Working capital	3,110	3,110	-
Listing expenses	1,200	1,200	-
	14,910	11,910	3,000

#### Share Buybacks

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

#### Options, Warrants or Convertible Securities

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

#### American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial period, the Company did not sponsor any ADR or GDR programme.

#### Imposition of Sanctions/Penalties

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

#### Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial period ended 31 December 2004 was RM15,200. The fee was related to the professional services rendered in respect of the Group's listing exercise.

#### Variation in results

The Group recorded a consolidated profit after tax of RM10.7 million, a favourable variance of more than 10% over the forecasted figure of RM7.5 million as disclosed in the Company's Prospectus dated 30 April 2004. The variance is caused by reasons as explained in the Chairman's Statement on pages 13 to 14 of the Annual Report.

#### Profit Guarantees

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

#### Material Contracts

There were no material contracts involving the interest of the Directors and major shareholders of the Company other than those disclosed in the Related Party Transactions as disclosed in the Note 23 to the Financial Statements.

#### Contract Relating to Loans

There were no contracts relating to loans by the Company.

#### Revaluation of Landed Properties

The Company did not revalue its property, plant and equipment and does not have a policy on the revaluation of the landed properties.

#### Recurrent Related Parties Transactions

The recurrent related parties transactions details undertaken by the Group during the financial period under review are disclosed in the Note 23 to the Financial Statements.



## AUDIT COMMITTEE REPORT



The Audit Committee of the Metronic Global Berhad ("MGB" or "the Company") and its subsidiaries ("the Group") was established by a resolution of the Board of Directors ("the Board") on 8 April 2004. The Committee, operating within a specific terms of reference, was established to assist the Board of the Group in the discharge of their duties and responsibility.

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

### A. Members

Members of the Audit Committee during the financial period ended 31 December 2004 are as follows:

Members	Designation
Lee Fok Chong (Chairman)	Independent Non-Executive Director
Subhi bin Hj Dziyauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director
Liew Chiap Hong	Executive Director

### B. Terms of reference

The terms of reference of the Audit Committee are as follows:-

#### 1) Composition

The Audit Committee shall be appointed by the Board from amongst their members and shall comprise at least three directors, a majority of whom shall be Independent Directors. The Chairman who shall be elected from amongst members of the Committee shall be an Independent Non-Executive Director. At least one member of the Committee must be a member of the Malaysian Institute of Accountants. If he is not a member of Malaysian Institute of Accountants he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad.

No alternate director may be appointed as a member of the Committee.

In the event of any vacancy in the committee resulting in the number being reduced to below three, the Board shall within three months of that event fill the vacancy.

The Board will review the terms of office and the performance of the Audit Committee and its members at least once every 3 years.

#### 2) Objective

The principal objective of the Committee is to assist the Board in discharging its statutory duties.

The Committee shall assist the Board in the following aspect:

- 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.

#### 3) Authority

The Committee shall have the authority to investigate any matter within its terms of reference with full and unrestricted access to all the Group's records, properties and personnel.

The Committee is authorized and shall be entitled to obtain independent professional or other advice to assist in executing its duties.

#### 4) Meetings

The Committee shall meet at least four (4) times a year to coincide with the review of the quarterly and annual financial statement 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.

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

## AUDIT COMMITTEE REPORT

### 5) Secretary

The Company Secretary shall be the secretary of the Committee and be responsible for drawing up agendas in consultation with the Chairman.

The agenda together with the relevant documents shall be circulated to the committee members, one week prior to each meeting.

The Company Secretary shall be responsible for recording attendance, keeping minutes of meetings and circulating to committee members and members of the Board.

### 6) Duties and Responsibilities

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

- i) Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- ii) Review the adequacy of the internal audit scope and plan, functions and resource of the internal audit function and that it has the necessary authority to carry out its work.
- iii) Review the external and internal audit reports to ensure that appropriate and prompt remedial actions are taken by the management on major deficiencies in controls or procedures that are identified.
- iv) Review the major audit findings and the management's responses during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- v) Review the assistance given by the Group's employees to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- vi) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- vii) Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- viii) Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditor's evaluation of the said systems.
- ix) Direct and where appropriate monitor any special projects or investigation considered necessary, and review investigation report on any major defalcation, fraud and theft.
- x) Review the quarterly results and the year-end financial statements, prior to the approval by the Board focusing particularly on:
  - changes in or implementation of major accounting policy;
  - significant or unusual events;
  - significant adjustments from audit; and
  - compliance with accounting standards and other legal requirements.
- xi) Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raise questions on management integrity.
- xii) Monitor organizational compliance with statutory and Listing Requirements of Bursa Malaysia Securities Berhad.
- xiii) Any other activities, as authorized by the Board.

### C. Summary of Audit Committee's Activities

During the financial period ended 31 December 2004, the Audit Committee convened four (4) meetings. Details of the attendance of the committee members are as follows:

<i>Members</i>	<i>No. of meetings held during the period</i>	<i>No. of meetings attended</i>	<i>%</i>
Lee Fok Chong	4	4	100
Subhi bin Hj Dziauddin	4	2	50
Amirudin bin Mohd Baria	4	3	75
Liew Chiap Hong	4	4	100

## AUDIT COMMITTEE REPORT

### C. Summary of Audit Committee's Activities (Cont'd)

The meetings were appropriately structured through the use of agendas and meetings papers, which were distributed to members with sufficient notice.

In line with the terms of reference, the following activities were carried out by the Audit Committee during the financial period under review:

- i) Review the group's quarterly, half yearly and year end results with the external and internal auditors prior to submission to the Board for consideration and approval.
- ii) Review the audit plan presented by the external auditors prior to their annual audit as to their scope of work and strategy.
- iii) Review the annual audit plan prepared by the internal auditors to ensure adequate scope and coverage on their activities.
- iv) Review internal audit report prepared by the internal auditors especially with regards to issues raised, recommendations made and management's response to their recommendation.
- v) Review the risk assessment reports prepared by the internal auditor and the recommendations made.
- vi) Review the related party transactions as required to be disclosed by the Listing Requirements of Bursa Malaysia Securities Berhad
- vii) Review the performance of the external auditors and recommendations made to the Board.

### D. Internal Audit Function

The Group does not have an Internal Audit Department but has appointed a professional firm of qualified accountants to undertake the internal audit function.

The role and responsibilities of the Internal Audit function are as follows:

- i) To undertake independent and regular reviews of the system of internal controls and give assurance that such system continues to operate satisfactorily and effectively.
- ii) To review the risk identification and evaluation process and ensure controls implemented by the management are consistent with the Group's risk management policy.

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



4G3, Putrajaya



Wisma Putra/IDHL, Putrajaya

# STATEMENT ON INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and Group's assets.

The Board of Directors ("the Board") of Metronic Global Berhad is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial period ended 31 December 2004.



3G2, Putrajaya



Syariah Court - Palace of Justice, Putrajaya



Putrajaya Convention Centre

## 1. Board's Responsibility

The Board recognizes the importance of sound internal controls and risk management practice for good corporate governance. The Board acknowledges that it is responsible for the Group's System of Internal Control and for reviewing its adequacy and integrity.

For the period under review the Group had in place a system of Internal Control and has established an on going process of reviewing, identifying, evaluating and managing significant risk faced by the Group. It must be noted however due to inherent limitations, the system is designed to manage rather than eliminate the risk of failure to achieve Group's business objectives and accordingly, can only provide reasonable and not absolute assurance against material misstatement and loss.

## 2. Risk Management Framework

The Board confirms that a continuous process has been established for identifying, evaluating and managing significant risks faced by the Group. This process has been in operation during the financial period under review.

The risk management process includes continuous identification of new risks, evaluation of existing risks and formulation of risk mitigation measures. The process has been reviewed by the Board and is in accordance with the Statement on Internal Control.

Risk assessment and evaluation is an integral part of the annual business and budget planning process. Each business unit within the Group, in establishing its business objectives is required to identify and document those significant risks in critical areas as well as identify controls to mitigate these risks.



## STATEMENT ON INTERNAL CONTROL

### 3. Other Internal Control Processes

The Group's other key Internal Control processes are as follows:

- i) There are organisation structures with well-defined reporting lines of responsibility and accountability and delegation of authority.
- ii) Documented policies and procedures which are regularly updated to reflect changing operational risks. The Board approves appropriate responses or amendments in the Group's policies.
- iii) The Board has established the Audit Committee on 8 April 2004 which comprises three (3) Independent Non-Executive Directors and one (1) Executive Director. The Audit Committee was established with a view to assist and to provide the Board with added focus in discharging its duties.
- iv) The Board receives and reviews reports from the management on key operating results and significant matters on a quarter basis since the date of listings. Annual budget is to be approved by the Board.
- v) There is regular management meetings attended by executive directors to discuss and report on operational performance, business strategy, key, operating statistics, legal and regulatory matters of each business unit where plans and targets are established for business planning and budgeting process.

### 4. Internal Audit Function

The Board has appointed an independent professional firm to undertake the internal audit function and assist the Audit Committee in discharging of its duties and responsibilities.

The internal auditors prepare an annual audit plan, provide independent reviews on risk management and control processes implemented by the management and report to the Audit Committee on quarterly basis.

### 5. Conclusion

There was no significant breakdown or weakness in the system of Internal Control of the Group that resulted in material losses or contingencies for the period under review.

The Board is also in the process of the establishing a risk management committee to enhance the risk management processes by ensuring proactive assessment, control and timely reporting of risk exposure. The risk management committee shall be set up internally and shall report directly to the Audit Committee.



2G3, Putrajaya



2G5, Putrajaya



2G6, Putrajaya

# Financial Statements

■	Directors' Report	26
■	Statement by Directors	30
■	Statutory Declaration	31
■	Report of the Auditors to the Members of Metronic Global Berhad	32
■	Income Statements for the Period Ended 31 December 2004	33
■	Balance Sheets as at 31 December 2004	34
■	Statements of Changes in Equity for the Period Ended 31 December 2004	35
■	Cash Flow Statements for the Period Ended 31 December 2004	36
■	Notes to the Financial Statements - 31 December 2004	38



Certificate No: 403813



## DIRECTORS' REPORT

### DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 December 2004.

### 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; and supply of engineered system and engineering equipment.

There have been no significant changes in the nature of the principal activities during the financial period, other than as a result of the acquisition of the subsidiaries as disclosed in Note 9 and Note 26 to the financial statements.

### RESULTS

	Group RM	Company RM
Profit for the period	10,697,410	487,376

There were no material transfers to or from reserves or provisions during the financial period, other than as disclosed in the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the acquisition of the subsidiaries as disclosed in Note 9 to the financial statements.

### DIVIDENDS

An interim dividend of 3% less 28% income tax, amounted to RM612,447 in respect of the financial year ended 31 December 2004 was declared on 26 August 2004 and paid by the Company on 30 September 2004.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 3% less 28% income tax on 283,540,000 ordinary shares, amounting to a dividend payable of RM612,447 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2005.

### DIRECTORS

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

Tan Sri Dato' Kamaruzzaman bin Shariff  
 Dato' Abd. Gani bin Yusof  
 Subhi bin Hj Dziauddin  
 Dr Ng Tek Che  
 Liew Chiap Hong  
 Lee Fok Chong  
 Amirudin bin Mohd Baria  
 Li Ji Chang

(Appointed on 6 August 2004)  
 (Appointed on 28 December 2004)

### 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.

## DIRECTORS' REPORT

### DIRECTORS' BENEFITS (Cont'd)

Since the date of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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, except for as disclosed in Note 23 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:

	As at 1.1.2004	Ordinary shares of RM0.10 each		As at 31.12.2004
		Bought During the year	Sold	
Direct Interest:				
Dato' Abd. Gani bin Yusof	-	48,419,780	-	48,419,780
Dr Ng Tek Che	-	18,263,600	-	18,263,600
Liew Chiap Hong	-	18,263,600	-	18,263,600
Indirect Interest:				
Dato' Abd. Gani bin Yusof	-	212,539,980	(84,946,980)	127,593,000
Dr Ng Tek Che	-	212,539,980	(84,946,980)	127,593,000
Liew Chiap Hong	-	212,539,980	(84,946,980)	127,593,000

By virtue of their interests in the shares of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong are also deemed to have an interest in the shares of all subsidiaries of the Company to the extent the Company has an interest.

None of the other directors holding office at 31 December 2004 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

### ISSUE OF SHARES

During the financial year, the Company increased its:

- (a) authorised ordinary share capital from RM100,000 to RM50,000,000 through the creation of 499,000,000 ordinary shares of RM0.10 each; and
- (b) issued and paid-up ordinary share capital from RM2 to RM28,354,000 by way of:
  - (i) the issuance of 212,539,980 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary shares for the acquisition of the entire issued and paid-up share capital of Metronic Engineering Sdn. Bhd.;
  - (ii) a public issue of 71,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary shares, in conjunction with the listing of the Company's on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.



## DIRECTORS' REPORT

---

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and adequate allowance has been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in respect of 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 period which secures the liabilities of any other person, or
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial period.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period 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 period 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 period in which this report is made.

### OTHER SIGNIFICANT EVENTS

- (a) On 18 March 2004, the Company increased its authorised share capital from RM100,000 represented by 1,000,000 ordinary shares of RM0.10 each to RM50,000,000 represented by 500,000,000 ordinary shares of RM0.10 each through the creation of 499,000,000 shares of RM0.10 each;
- (b) The Company completed its listing exercise and was admitted to the MESDAQ Market of Bursa Malaysia Securities Berhad on 24 May 2004. As part of the listing exercise, the Company:

## DIRECTORS' REPORT

---

### OTHER SIGNIFICANT EVENTS (Cont'd)

- (i) acquired the entire issued and paid-up share capital of Metronic Engineering Sdn. Bhd. ("MESB") for a consideration of RM21,253,998 satisfied by the issuance of 212,539,980 new ordinary shares of RM0.10 each in the Company at par from Metronic Corporation Sdn. Bhd., which was completed on 18 March 2004;
  - (ii) acquired Metronic Integrated System Sdn. Bhd. from MESB for a cash consideration of RM216,384; and
  - (iii) made a public issue of 71,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.21 per ordinary share;
- (c) On 12 April 2004, MESB, a wholly owned subsidiary entered into an agreement to acquire a freehold land together with a three-storey semi-detached factory for a cash consideration of RM2,600,000 from MH Projects Sdn. Bhd., a company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff are also directors.
- (d) MESB, a wholly owned subsidiary, on 13 July 2004, entered into a conditional Acquisition of Shares and Shareholders Agreement with Infocon Holdings (S) Pte. Ltd. ("ISPL") to purchase 51% equity shares in Infocon (Beijing) Environment Control Technology Company Limited from ISPL for a cash consideration of USD300,000. The proposed acquisition is pending the settlement of the remaining sum of USD210,000.
- (e) The Company in collaboration with China National Registry of Products and Services Code Company Limited, Free Glider Communication Co. Ltd. and Infocon (Beijing) Environment Control Technology Company Limited, had on 17 August 2004 entered into a Collaboration Agreement to jointly implement the National Products and Services Coding System Project in the People's Republic of China.
- (f) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

Dr Ng Tek Che

Liew Chiap Hong

Selangor Darul Ehsan  
22 April 2005

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

---

We, Dr Ng Tek Che and Liew Chiap 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 33 to 60 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

Dr Ng Tek Che

Selangor Darul Ehsan  
22 April 2005

Liew Chiap Hong

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

---

I, Ong Bee Leng, being the officer primarily responsible for the financial management of Metronic Global Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 60 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 Ong Bee Leng  
at Petaling Jaya, Selangor Darul Ehsan  
on 22 April 2005

Ong Bee Leng

Before me,



## REPORT OF THE AUDITOR TO THE MEMBERS OF METRONIC GLOBAL BERHAD

---

We have audited the financial statements set out on pages 33 to 60. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the period then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
22 April 2005

Gloria Goh Ewe Gim  
No. 1685/04/05 (J)  
Partner

## INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

		<b>Group</b> <b>18.3.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>Company</b> <b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>22.10.2003</b> <b>to</b> <b>31.12.2003</b> <b>RM</b>
	<b>Note</b>			
Revenue	3	115,205,846	900,000	-
Cost of sales	4	(91,299,887)	-	-
Gross profit		<u>23,905,959</u>	<u>900,000</u>	<u>-</u>
Other operating income		3,026,795	69,895	-
Administration expenses		(3,097,972)	(220,819)	(1,264)
Other operating expenses		(9,033,111)	-	-
Profit/(loss) from operations		<u>14,801,671</u>	<u>749,076</u>	<u>(1,264)</u>
Interest expense		(246,128)	-	-
Profit/(loss) before taxation	5	14,555,543	749,076	(1,264)
Taxation	6	(3,858,133)	(261,700)	-
Profit/(loss) after taxation		<u>10,697,410</u>	<u>487,376</u>	<u>(1,264)</u>
Earnings per share (sen):				
Basic	7	5.07		
Diluted	7	<u>5.07</u>		
Net dividends per ordinary share (sen):				
Interim dividend	22	0.22	0.22	-
Final dividend	22	<u>0.22</u>	<u>0.22</u>	<u>-</u>

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

## BALANCE SHEETS AS AT 31 DECEMBER 2004

	Note	Group 2004 RM	2004 RM	Company 2003 RM
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	8	9,148,154	-	-
Investment in subsidiaries	9	-	21,470,382	-
Other investments	10	219,384	-	-
Deferred tax assets	16	1,140,000	-	-
		<u>10,507,538</u>	<u>21,470,382</u>	<u>-</u>
<b>CURRENT ASSETS</b>				
Inventories	11	1,527,301	-	-
Trade receivables	12	71,949,461	-	-
Other receivables	14	1,367,280	8,570,983	368,844
Short term deposits	15	10,295,613	-	-
Cash and bank balances		7,317,294	4,659,523	2
		<u>92,456,949</u>	<u>13,230,506</u>	<u>368,846</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	17	50,780,806	-	-
Other payables	18	4,556,148	62,151	370,108
Bank borrowings	19	513,000	-	-
Provision for taxation		2,265,850	4,850	-
		<u>58,115,804</u>	<u>67,001</u>	<u>370,108</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>34,341,145</u>	<u>13,163,505</u>	<u>(1,262)</u>
		<u>44,848,683</u>	<u>34,633,887</u>	<u>(1,262)</u>
<b>FINANCED BY:</b>				
Share capital	20	28,354,000	28,354,000	2
Share premium		6,406,222	6,406,222	-
Retained profit/(accumulated losses)		10,083,699	(126,335)	(1,264)
		<u>44,843,921</u>	<u>34,633,887</u>	<u>(1,262)</u>
Hire purchase creditors	21	4,762	-	-
		<u>44,848,683</u>	<u>34,633,887</u>	<u>(1,262)</u>

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

## STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2004

	Note	Share capital RM	Share premium RM	Retained profit/ (accumulated loss) RM	Total RM
<b>Group</b>					
At 18 March 2004		2	-	(1,264)	(1,262)
Issue of shares:					
- Acquisition of subsidiaries		21,253,998	-	-	21,253,998
- Pursuant to initial public offering		7,100,000	7,810,000	-	14,910,000
Listing expenses		-	(1,403,778)	-	(1,403,778)
Net profit for the period		-	-	10,697,410	10,697,410
Dividends	22	-	-	(612,447)	(612,447)
At 31 December 2004		28,354,000	6,406,222	10,083,699	44,843,921
<b>Company</b>					
At date of incorporation		2	-	-	2
Loss for the period		-	-	(1,264)	(1,264)
At 31 December 2003		2	-	(1,264)	(1,262)
At 1 January 2004		2	-	(1,264)	(1,262)
Issue of shares:					
- Acquisition of subsidiaries		21,253,998	-	-	21,253,998
- Pursuant to initial public offering		7,100,000	7,810,000	-	14,910,000
Listing expenses		-	(1,403,778)	-	(1,403,778)
Net profit for the year		-	-	487,376	487,376
Dividends	22	-	-	(612,447)	(612,447)
At 31 December 2004		28,354,000	6,406,222	(126,335)	34,633,887

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



## CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

	<b>Group</b> <b>18.3.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>Company</b> <b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>22.10.2003</b> <b>to</b> <b>31.12.2003</b> <b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before taxation	14,555,543	749,076	(1,264)
Adjustments for:			
Gain on disposal of property, plant and equipment	(5,671)	-	-
Depreciation of property, plant and equipment	725,080	-	-
Allowance for doubtful debts	2,342,871	-	-
Write back of allowance for doubtful debts	(149,596)	-	-
Impairment loss on quoted securities	13,737	-	-
Provision for defect liabilities	1,845,353	-	-
Negative goodwill recognised	(2,564,417)	-	-
Interest expense	246,128	-	-
Interest income	(268,525)	(69,895)	-
Operating profit/(loss) before working capital changes	<u>16,740,503</u>	<u>679,181</u>	<u>(1,264)</u>
Changes in working capital:			
Inventories	765,797	-	-
Receivables	2,833,763	(8,202,139)	(368,844)
Payables	<u>(4,713,443)</u>	<u>(307,957)</u>	<u>370,108</u>
Net cash generated from/(used in) operations	15,626,620	(7,830,915)	-
Taxes paid	(6,579,277)	(256,850)	-
Interest paid	(246,128)	-	-
Interest received	268,525	69,895	-
Net cash generated from/(used in) operating activities	<u>9,069,740</u>	<u>(8,017,870)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, net of cash acquired (Note 9)	1,723,203	(216,384)	-
Purchase of property, plant and equipment	(3,645,208)	-	-
Proceeds from disposal of property, plant and equipment	21,915	-	-
Purchase of golf club membership	<u>(94,000)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(1,994,090)</u>	<u>(216,384)</u>	<u>-</u>

## CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

	<b>Group</b> <b>18.3.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>Company</b> <b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>22.10.2003</b> <b>to</b> <b>31.12.2003</b> <b>RM</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issuance of shares	13,506,222	13,506,222	-
Discharge of fixed deposits under lien with licensed bank	1,732,837	-	-
Repayment of bankers' acceptances and trust receipts	(18,221,294)	-	-
Drawdown of bankers' acceptances and trust receipts	10,105,333	-	-
Repayment of term loan	(1,890,114)	-	-
Dividend paid	(612,447)	(612,447)	-
Repayment of hire purchase creditors	(58,895)	-	-
	<hr/>	<hr/>	<hr/>
Net cash generated from financing activities	4,561,642	12,893,775	-
	<hr/>	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,637,292</b>	<b>4,659,521</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT BEGINNING OF THE PERIOD</b>	<b>2</b>	<b>2</b>	<b>2</b>
	<hr/>	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT END OF THE PERIOD</b>	<b>11,637,294</b>	<b>4,659,523</b>	<b>2</b>
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the balance sheet date comprise the following:			
Cash and bank balances	7,317,294	4,659,523	2
Deposits at call (Note 15)	4,320,000	-	-
	<hr/>	<hr/>	<hr/>
	<b>11,637,294</b>	<b>4,659,523</b>	<b>2</b>
	<hr/>	<hr/>	<hr/>

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

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 1. CORPORATE INFORMATION

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; and supply of engineered system and engineering equipment.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The registered office is located at 650, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia.

The number of employees in the Group and in the Company at the end of the financial period were 214 and NIL (2003: NIL) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2005.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards issued in Malaysia.

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition over the cost of acquisition.

Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

To the extent the negative goodwill relates to expectation of future losses and expenses that are identified in the plan of the acquisition and can be measured reliably, but which are not identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised.

#### (d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

Freehold land is not depreciated.

Depreciation on property, plant and equipment is calculated on the straight line method to write off the cost of property, plant and equipment over their estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Buildings	2%
Renovations	4%
Motor vehicles	20%
Furniture, fittings and equipment	20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

#### (e) 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.

#### (f) Engineering Contracts

Where the outcome of an engineering contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (f) Engineering Contracts (Cont'd)

Where the outcome of an engineering contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on engineering contracts plus recognised profits (less recognised losses) exceed 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 shown as amount due to customers on contracts.

#### (g) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately.

#### (h) Investment in Subsidiaries

Investment in subsidiaries is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

#### (i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (i) Income Tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (j) Foreign Currencies

Transactions in foreign currency are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange differences are taken to the income statement.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date are as follows:

	RM
United States Dollar	3.800
Great Britain Pound	7.308
Singapore Dollar	2.322
Euro	5.172

#### (k) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, and deposits at call (excludes deposits which are pledged), which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### (l) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

##### (i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (l) Leases (Cont'd)

##### (ii) Operating Leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

#### (m) Provisions for Defect Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 two years is specified in the contracts.

#### (n) Employee Benefits

##### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined Contribution Plans

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.

#### (o) Revenue Recognition

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

##### (i) Contract Revenue

Contract revenue is recognised based on the stage of completion method as described in Note 2(f).

##### (ii) Maintenance Services

Revenue from services rendered is recognised net of discounts as and when the services are performed.

##### (iii) Sale of Goods

Revenue relating to sales of goods is recognised upon delivery of products and acceptance by customers.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (o) Revenue Recognition (Cont'd)

##### (iv) Dividend Income

Dividend income is recognised when the right to receive payment is established.

##### (v) Interest Income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

#### (p) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Other Non-Current Investments

Non-current investments other than investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

##### (ii) Trade and Other Receivables

Receivables are carried at anticipated realisable value. Estimates for doubtful debts in the form of specific provisions are made when collection of the full amount of the debts is no longer probable. Bad debts are written off as and when determined.

##### (iii) Trade and Other Payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

##### (iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (p) Financial Instruments (Cont'd)

##### (v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

##### (vi) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains or losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

### 3. REVENUE

	<b>Group</b>	<b>Company</b>	
	<b>18.3.2004 to 31.12.2004 RM</b>	<b>1.1.2004 to 31.12.2004 RM</b>	<b>22.10.2003 to 31.12.2003 RM</b>
Contract work	111,181,702	-	-
Maintenance services	3,347,818	-	-
Sale of equipment	676,326	-	-
Dividend income	-	900,000	-
	115,205,846	900,000	-

### 4. COST OF SALES

	<b>Group</b>	<b>Company</b>	
	<b>18.3.2004 to 31.12.2004 RM</b>	<b>1.1.2004 to 31.12.2004 RM</b>	<b>22.10.2003 to 31.12.2003 RM</b>
Contract costs	90,263,432	-	-
Maintenance services	892,874	-	-
Cost of equipment sold	143,581	-	-
	91,299,887	-	-

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 5. PROFIT BEFORE TAXATION

	<b>Group</b>	<b>Company</b>	
	<b>18.3.2004</b> to <b>31.12.2004</b> RM	<b>1.1.2004</b> to <b>31.12.2004</b> RM	<b>22.10.2003</b> to <b>31.12.2003</b> RM
<b>(a) After charging/(crediting):</b>			
Staff costs (Note c)	7,029,211	-	-
Auditors' remuneration	60,000	26,000	1,000
Depreciation of property, plant and equipment	725,080	-	-
Directors' emoluments (Note b)	830,024	28,000	-
Office rental	28,975	12,000	-
Interest expenses			
- hire purchase	7,857	-	-
- term loan	57,321	-	-
- bank overdraft	1,484	-	-
- banker acceptances / trust receipts	179,466	-	-
Foreign exchange losses			
- realised	100,099	-	-
- unrealised	26,500	-	-
Allowance for doubtful debts	2,342,871	-	-
Impairment loss on quoted securities	13,737	-	-
Provision for defect liabilities	1,845,353	-	-
Interest income			
- short term deposits	(258,025)	(69,895)	-
- loan stocks	(10,500)	-	-
Gain on disposal of property, plant and equipment	(5,671)	-	-
Negative goodwill recognised	(2,564,417)	-	-
Dividend income from a subsidiary	-	(900,000)	-
Write back of allowance for doubtful debts	(149,596)	-	-
Rental income	(118,200)	-	-
	<b>7,029,211</b>	<b>(69,895)</b>	<b>1,000</b>
<b>(b) Directors' emoluments:</b>			
(i) Director of the Company			
Executive:			
Salaries and other emoluments	638,724	-	-
Fees	45,000	-	-
Bonuses	60,000	-	-
Benefit-in-kind	13,300	-	-
	<b>757,024</b>	<b>-</b>	<b>-</b>
Non-Executive:			
Fees	28,000	28,000	-
(ii) Director of subsidiaries			
Non-Executive:			
Fees	45,000	-	-
<b>Total</b>	<b>830,024</b>	<b>28,000</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 5. PROFIT BEFORE TAXATION (Cont'd)

#### (b) Directors' emoluments (Cont'd):

- (iii) The numbers of directors of the Group whose total remuneration during the financial period fell within the following bands is analysed below:

	Number of Directors
Executive directors:	
Below RM50,000	1
RM150,001 - RM250,000	2
RM250,001 - RM350,000	1
Non-Executive directors:	
Below RM50,000	3

	Group	Company	
	18.3.2004 to 31.12.2004 RM	1.1.2004 to 31.12.2004 RM	22.10.2003 to 31.12.2003 RM
(c) <b>Employee information</b>			
Staff costs (excluding directors' emoluments)		-	-
Salary, wages and bonus	5,887,239	-	-
Employees' provident funds	627,130	-	-
Other staff related expenses	514,842	-	-
	<u>7,029,211</u>	<u>-</u>	<u>-</u>

### 6. TAXATION

Malaysian taxation based on the results for the year :

- Current	4,407,700	261,700	-
Over provision in prior years	(379,567)	-	-
Deferred tax (Note 16)			
- relating to origination and reversal of temporary differences	(170,000)	-	-
	<u>3,858,133</u>	<u>261,700</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 6. TAXATION (Cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:

	<b>Group</b> <b>18.3.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>Company</b> <b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <b>RM</b>	<b>22.10.2003</b> <b>to</b> <b>31.12.2003</b> <b>RM</b>
Profit/ (loss) before taxation	14,555,543	749,076	(1,264)
Taxation at the statutory tax rate of 28%	4,075,552	209,741	(354)
Effect of expenses not deductible for tax purposes	880,185	51,959	354
Effect of income not subject to tax	(718,037)	-	-
Over provision in prior years	(379,567)	-	-
	<u>3,858,133</u>	<u>261,700</u>	<u>-</u>

### 7. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period as there are no potential ordinary share.

	<b>2004</b>
Net profit for the period (RM)	10,697,410
Weighted average number of shares in issue	<u>210,890,879</u>
Basic/diluted earnings per share (sen)	<u>5.07</u>

### 8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold lands RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2004 RM
<b>COST</b>							
Acquisition of subsidiaries	961,049	2,349,345	782,055	263,740	1,673,074	215,007	6,244,270
Additions	508,426	2,091,574	-	-	815,266	229,942	3,645,208
Disposals	-	-	-	-	(41,420)	-	(41,420)
At 31 December	<u>1,469,475</u>	<u>4,440,919</u>	<u>782,055</u>	<u>263,740</u>	<u>2,446,920</u>	<u>444,949</u>	<u>9,848,058</u>

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP	Freehold lands RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2004 RM
<b>ACCUMULATED DEPRECIATION</b>							
Charge for the period	-	62,441	11,029	82,047	554,808	14,755	725,080
Disposal	-	-	-	-	(25,176)	-	(25,176)
At 31 December	-	62,441	11,029	82,047	529,632	14,755	699,904
<b>NET BOOK VALUE</b>							
As at 31 December	1,469,475	4,378,478	771,026	181,693	1,917,288	430,194	9,148,154

The freehold lands, freehold buildings, and leasehold buildings with net book value of RM4,070,660 are charged to licensed banks for banking facilities granted to the Group.

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM94,618.

### 9. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	21,470,382	-

The subsidiaries incorporated in Malaysia are as follows :

Name of Company	Country of Incorporation	Equity Interest held		Principal Activities
		2004 %	2003 %	
Metronic Engineering Sdn. Bhd.	Malaysia	100	-	System integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system.
Metronic Integrated System Sdn. Bhd.	Malaysia	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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 9. INVESTMENT IN SUBSIDIARIES (Cont'd)

On 18 March 2004, the Group completed the acquisition of the entire equity interest in Metronic Engineering Sdn. Bhd., and its subsidiary, Metronic Integrated System Sdn. Bhd., both companies are incorporated in Malaysia, for a total consideration of RM21,253,998 satisfied by the issuance of 212,539,980 new ordinary shares by RM0.10 each in the Company at par.

The financial results of subsidiaries acquired during the year included in the consolidated financial statements for the year ended 31 December 2004 were as follows:-

	<b>2004</b> <b>RM'000</b>
<b>Income statement</b>	
Revenue	115,205,846
Profit before taxation	12,189,548
Profit after taxation	<u>8,293,617</u>

The effect of the above acquisition on the financial position of the Group as at 31 December 2004 was as follows:

	<b>2004</b> <b>RM'000</b>
<b>Balance Sheet</b>	
<b>Non-current assets</b>	
Property, plant and equipment	9,148,154
Other investment	219,384
Deferred tax assets	1,140,000
	<u>10,507,538</u>
<b>Current assets</b>	
Inventories	1,527,301
Receivables	73,375,265
Short term deposits	10,295,613
Cash and bank balances	2,657,771
	<u>87,855,950</u>
<b>Current liabilities</b>	
Payables	(63,909,072)
Provision for taxation	(2,261,000)
Bank borrowings	(513,000)
	<u>(66,683,072)</u>
Group's share of net assets	<u>31,680,416</u>

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 9. INVESTMENT IN SUBSIDIARIES (Cont'd)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	<b>Group RM</b>
Property, plant and equipment (Note 8)	6,244,270
Other investment	139,121
Deferred tax assets	970,000
Inventories	2,293,098
Receivables	78,044,934
Fixed deposits	7,708,450
Cash and bank balances	1,723,203
Payables	(57,968,592)
Provision for taxation	(4,816,994)
Bank borrowings	(10,519,075)
	<hr/>
Share of net assets acquired	23,818,415
Negative goodwill on consolidation	(2,564,417)
	<hr/>
Total purchase consideration	21,253,998
Purchase consideration satisfied by issuance of shares	(21,253,998)
Cash of subsidiaries acquired	1,723,203
	<hr/>
Cash flow on acquisition, net of cash acquired	1,723,203

### 10. OTHER INVESTMENTS

	<b>Group 2004 RM</b>
Quoted securities in Malaysia:	
Irredeemable convertible unsecured loan stocks, at cost	257,121
Impairment loss	(131,737)
	<hr/>
	125,384
Golf club membership, at cost	94,000
	<hr/>
	219,384
	<hr/>
Market value of quoted securities	125,384

### 11. INVENTORIES

	<b>Group 2004 RM</b>
At cost:	
Building automation equipment and parts	1,527,301

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 12. TRADE RECEIVABLES

	<b>Group 2004 RM</b>	<b>2004 RM</b>	<b>Company 2003 RM</b>
Trade receivables	4,039,192	-	-
Progress billings receivable	50,361,929	-	-
Due from customers on contracts (Note 13)	8,276,900	-	-
Advances to sub contractors	959,188	-	-
Retention sums on contracts (Note 13)	13,649,524	-	-
	<u>77,286,733</u>	-	-
Allowance for doubtful debts	(5,337,272)	-	-
	<u>71,949,461</u>	-	-

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 concentrations of credit risk that may arise from exposures to a single debtor or groups of debtors other than a balance due from a debtor of RM16,197,612.

### 13. DUE FROM/TO CUSTOMERS ON CONTRACTS

	<b>Group 2004 RM</b>
Contract costs incurred to date	172,957,598
Add: Attributable profits	30,239,166
	<u>203,196,764</u>
Less: Progress billings received and receivable	(199,820,716)
	<u>3,376,048</u>
Due from customers on contracts (Note 12)	8,276,900
Due to customers on contracts (Note 17)	(4,900,852)
	<u>3,376,048</u>
Retention sums on contracts, included within trade debtors (Note 12)	<u>13,649,524</u>
Advances received on contracts, included within trade payables (Note 17)	<u>8,134,197</u>
Contract costs recognised as an expense	<u>90,263,432</u>

Included in contract costs recognised as an expense is provision for defect liabilities of RM1,845,353 during the period.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

## 14. OTHER RECEIVABLES

	Group 2004 RM	2004 RM	Company 2003 RM
Due from a subsidiary	-	8,559,508	-
Deposits and prepayment	377,814	-	368,844
Sundry receivables	989,466	11,475	-
	<u>1,367,280</u>	<u>8,570,983</u>	<u>368,844</u>

Amount due from a subsidiary is unsecured, interest free and have no fixed terms of repayment.

## 15. SHORT TERM DEPOSITS

	Group 2004 RM	2004 RM	Company 2003 RM
Fixed deposits with licensed banks	5,975,613	-	-
Deposits at call with licensed banks	4,320,000	-	-
	<u>10,295,613</u>	<u>-</u>	<u>-</u>

All the fixed deposits with licensed banks of RM5,975,613 are pledged as security for banking facilities granted to the Group as disclosed in Note 19.

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

	Interest rate 2004 %	Maturity 2004 day
Fixed deposits	2.6	30
Deposits at call	2.25	7

## 16. DEFERRED TAX ASSETS

	At 18 March 2004 RM	Acquisition of subsidiaries RM	Recognised in income statement (Note 6) RM	At 31 December 2004 RM
Components of deferred tax assets:				
- Provision for defect liabilities	-	700,000	150,000	850,000
- Receivables	-	270,000	180,000	450,000
- Others	-	170,000	50,000	220,000
	<u>-</u>	<u>1,140,000</u>	<u>380,000</u>	<u>1,520,000</u>
Components of deferred tax liability:				
- Property, plant and equipment	-	(170,000)	(210,000)	(380,000)
	<u>-</u>	<u>970,000</u>	<u>170,000</u>	<u>1,140,000</u>



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 17. TRADE PAYABLES

	Group 2004 RM	2004 RM	Company 2003 RM
Trade payables	37,745,757	-	-
Advances received on contracts (Note 13)	8,134,197	-	-
Due to customer on contracts (Note 13)	4,900,852	-	-
	<u>50,780,806</u>	<u>-</u>	<u>-</u>

### 18. OTHER PAYABLES

	Group 2004 RM	2004 RM	Company 2003 RM
Other creditors and accruals	1,456,336	62,151	-
Provision for defect liability	3,059,236	-	-
Hire purchase creditors (Note 21)	40,576	-	-
	<u>4,556,148</u>	<u>62,151</u>	<u>-</u>

### 19. BANK BORROWINGS

	Group 2004 RM	2004 RM	Company 2003 RM
Bankers acceptances and trust receipts (secured)	513,000	-	-
	<u>513,000</u>	<u>-</u>	<u>-</u>

The bank borrowings are secured on the freehold land and buildings, and leasehold buildings and all the fixed deposits with licensed banks of RM5,975,613 of the Group. The interest rates on these borrowings range between 2.89% to 3.89% per annum.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 20. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2004	2003	2004 RM	2003 RM
Authorised:				
At 1 January	1,000,000	1,000,000	100,000	100,000
Created during the year	499,000,000	-	49,900,000	-
At 31 December	500,000,000	1,000,000	50,000,000	100,000
Issued and fully paid:				
At 1 January	20	20	2	2
Issued during the year:				
- Acquisition of subsidiaries	212,539,980	-	21,253,998	-
- Pursuant to initial public offering	71,000,000	-	7,100,000	-
At 31 December	283,540,000	20	28,354,000	2

### 21. HIRE PURCHASE CREDITORS

	Group	Company	
	2004 RM	2004 RM	2003 RM
Amounts outstanding	45,338	-	-
Less : Due within twelve months (Note 18)	(40,576)	-	-
Due after twelve months	4,762	-	-

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

	2004	
	Minimum payments RM	Present value of liabilities RM
Gross amounts payable		
Not later than 1 year	45,900	40,576
More than 1 year but not later than 5 years	5,379	4,762
	51,279	45,338
Less: Future finance charges	(5,941)	-
	45,338	45,338

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 22. DIVIDENDS

	Amount	
	2004 RM	2003 RM
Dividend paid:		
Interim dividend of 3% less 28% taxation on 283,540,000 ordinary shares declared on 26 August 2004 and paid on 30 September 2004	612,447	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2004, of 3% less 28% taxation on 283,540,000 ordinary shares, amounting to a dividend payable of RM612,447 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2005.

Accordingly, based on the above, the net dividends per share declared and proposed for the financial period are as follows:

	Net dividends per share	
	2004 Sen	2003 Sen
Paid:		
Interim dividend of 3% less 28% taxation	0.22	-
Proposed:		
Final dividend of 3% less 28% taxation	0.22	-

### 23. SIGNIFICANT RELATED PARTY TRANSACTIONS

GROUP	Transactions	Balance
	18.3.2004 to 31.12.2004 RM	Outstanding 2004 RM
Accounting fee receivable from Metronic Corporation Sdn. Bhd. ("MCSB") +	50,000	50,000
Rental receivable from MCSB +	10,000	-
Accounting fee receivable from Meditechnique Sdn. Bhd. ("Meditechnique") ^	20,000	20,000
Rental receivable from Meditechnique ^	20,000	-
Purchases from ITG Worldwide (M) Sdn. Bhd., @	1,595,388	-
Provision of software maintenance services to Metronic Impact Sdn. Bhd., an associated company of MCSB +	31,042	5,174
Contract fee payable to Integrated Commerce Sdn. Bhd., a subsidiary of MCSB +	82,450	13,958
Contract and maintenance services receivable from MH Projects Sdn. Bhd. ("MHP") #	36,266,280	16,197,612
Purchase of property from MHP #	2,600,000	-
Provision of maintenance services to Ledtronics Sdn. Bhd. *	28,428	-

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 23. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

#### COMPANY

	Transactions		Balance Outstanding	
	1.1.2004	22.10.2003	2004	2003
	to	to		
31.12.2004	31.12.2003	RM	RM	
	RM	RM	RM	RM
Dividend received from a subsidiary	648,000	-	-	-
Office rental payable to a subsidiary	12,000	-	-	-

+ substantial shareholder of the Company where directors of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong have interest

^ a company in which a director of the Company, Dr Ng Tek Che, has an interest

# a company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff are also directors

@ a company in which a director of the Company, Liew Chiap Hong has an interest

\* a company in which a director of the Company, Dato' Abd. Gani bin Yusof is also director.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### 24. CAPITAL COMMITMENTS

	Group	Company	
	2004	2004	2003
	RM	RM	RM
Approved but not contracted for:			
- Research and development for products developments	1,470,000	-	-
Approved and contracted for:			
- Investments in unquoted shares, outside Malaysia	798,000	-	-

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 25. CONTINGENT LIABILITIES

	Company	
	2004 RM	2003 RM
Unsecured:		
Corporate guarantee given to a licensed bank for credit facility granted to a subsidiary	19,000,000	-

### 26. OTHER SIGNIFICANT EVENTS

- (a) On 18 March 2004, the Company increased its authorised share capital from RM100,000 represented by 1,000,000 ordinary shares of RM0.10 each to RM50,000,000 represented by 500,000,000 ordinary shares of RM0.10 each through the creation of 499,000,000 shares of RM0.10 each;
- (b) The Company completed its listing exercise and was admitted to the MESDAQ Market of Bursa Malaysia Securities Berhad on 24 May 2004. As part of the listing exercise, the Company:
- (i) acquired the entire issued and paid-up share capital of Metronic Engineering Sdn. Bhd. ("MESB") for a consideration of RM21,253,998 satisfied by the issuance of 212,539,980 new ordinary shares of RM0.10 each in the Company at par from Metronic Corporation Sdn. Bhd., which was completed on 18 March 2004;
  - (ii) acquired Metronic Integrated System Sdn. Bhd. from MESB for a cash consideration of RM216,384; and
  - (iii) made a public issue of 71,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.21 per ordinary share;
- (c) On 12 April 2004, MESB, a wholly owned subsidiary entered into an agreement to acquire a freehold land together with a three-storey semi-detached factory for a cash consideration of RM2,600,000 from MH Projects Sdn. Bhd., a company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff are also directors.
- (d) MESB, a wholly owned subsidiary, on 13 July 2004, entered into a conditional Acquisition of Shares and Shareholders Agreement with Infocon Holdings (S) Pte. Ltd. ("ISPL") to purchase 51% equity shares in Infocon (Beijing) Environment Control Technology Company Limited from ISPL for a cash consideration of USD300,000. The proposed acquisition is pending the settlement of the remaining sum of USD210,000.
- (e) The Company in collaboration with China National Registry of Products and Services Code Company Limited, Free Glider Communication Co. Ltd. and Infocon (Beijing) Environment Control Technology Company Limited, had on 17 August 2004 entered into a Collaboration Agreement to jointly implement the National Products and Services Coding System Project in the People's Republic of China.
- (f) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 27. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management Objective and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group's policy is not to engage in speculative transactions.

#### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group has no substantial long term interest-bearing assets as at 31 December 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes, but have been mostly placed in short term deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group constantly reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a retail level of protection against rates hikes. The Group does not have any exposure in off balance sheet instruments.

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

#### (c) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements.

In addition, the Group also maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with short term funding so as to achieve overall cost effectiveness.

#### (d) Foreign Currency Risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposure to foreign currency risks are monitored on an ongoing basis. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts.

The unhedged financial liabilities of the Group that are not denominated in Ringgit Malaysia are as follows:

	United States Dollar RM	Great Britain Pound RM	Singapore Dollar RM	Total RM
<b>At 31 December 2004:</b>				
Trade payables	1,695,747	490,492	9,370	2,195,609

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 27. FINANCIAL INSTRUMENTS (Cont'd)

#### (d) Foreign Currency Risk (Cont'd)

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following amounts and maturities:

	Maturities	Currency	Group 2004 RM
Forward contracts used to hedge purchases	Within 1 year	Euro	812,814

#### (e) Credit Risk

Credit risk are minimised and monitored via strictly limiting the Group's associations to business partners with reasonably high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instruments other than a balance due from a debtor of RM16,197,612.

#### (f) Fair Values

The fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Group and of the Company as at the end of the financial period are as follows:

	Carrying Value RM	Group Fair Value RM	Company Carrying Value RM	Company Fair Value RM
At 31 December 2004:				
Financial Assets				
Amount due from a subsidiary	-	-	8,559,509	#

The nominal amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and Company as at the end of the financial period are:

	Nominal Amount RM	Group Fair Value RM	Company Nominal Amount RM	Company Fair Value RM
At 31 December 2004:				
Forward foreign exchange contracts	812,814	17,252	-	-

# It is not practical to estimate the fair values of amount due from a subsidiary due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

---

### 27. FINANCIAL INSTRUMENTS (Cont'd)

#### (f) Fair Values (Contd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

#### (i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

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

#### (ii) Investments

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

#### (iii) Derivative Financial Instruments

The fair value of a forward foreign exchange currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of a similar quantum and maturity profile.

### 28. SEGMENTAL REPORTING

As the Group operates principally within one business and one geographical segment, segmental information is not presented.

### 29. COMPARATIVE FIGURES

There are no comparative figures for the Group as this is the first set of the consolidated financial statements prepared since the effective formation of the Group on 18 March 2004.

## ANALYSIS OF SHAREHOLDINGS

As At 18 APRIL 2005

Authorised Share Capital	:	RM50,000,000 comprising 500,000,000 Ordinary Shares of RM0.10 each
Issued and Paid-up Share Capital	:	RM28,354,000 comprising 283,540,000 Ordinary Shares of RM0.10 each
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

### (I) DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of holdings	No. of Shareholders	%	No. of Shares
1-99 shares	4	0.39	120
100-999 shares	17	1.64	2,600
1,000-4,999 shares	269	25.96	627,000
5,000-10,000 shares	303	29.25	2,288,600
10,001-100,000 shares	340	32.82	12,531,800
100,001-1,000,000 shares	82	7.91	25,582,000
Above 1,000,000 shares	21	2.03	242,507,880
<b>Total</b>	<b>1,036</b>	<b>100.00</b>	<b>283,540,000</b>

### (II) 20 LARGEST SHAREHOLDERS

No.	Name	No. of Share Held	%
1.	Metronic Corporation Sdn Bhd	127,593,000	45.00
2.	Dato' Abd. Gani bin Yusof	48,419,780	17.08
3.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Liew Chiap Hong (PB)	11,263,600	3.97
4.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Ng Tek Che (PB)	11,263,600	3.97
5.	Tan Tieng Tieng	9,901,100	3.49
6.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Jude Yee Wai Kwan	7,981,000	2.81
7.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Tan Hang Kime (PB)	2,435,000	0.86
8.	Promosi Unggul Sdn Bhd	2,377,200	0.84
9.	Cheah Hooi Lee	2,246,500	0.79
10.	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Delaware Heights Corporation (PB)	2,049,700	0.72
11.	Abdul Malek bin Abdul Aziz	2,000,000	0.71
12.	Foo Gin Gaik	2,000,000	0.71
13.	Md Wira Dani bin Abdul Daim	2,000,000	0.71
14.	Yip Mun Kong	1,851,900	0.65
15.	Ke-Zan Nominees (Tempatan) Sdn Bhd Kim Eng Securities Pte. Ltd. for Yee Chooi Fan	1,640,000	0.58
16.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Khue Yen Lin (PB)	1,549,000	0.55
17.	CITICORP Nominees (Tempatan) Sdn Bhd CB Singapore GW for Wong Yeng Mun	1,300,000	0.46
18.	HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd for Cheng Sook Kee	1,260,000	0.44
19.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Liw Fa Lin @ Liew Fa Lin (MARGIN-MM0613)	1,146,500	0.40
20.	Ang Boo Chung	1,075,000	0.38
<b>Total</b>		<b>241,352,880</b>	<b>85.12</b>

## ANALYSIS OF SHAREHOLDINGS

As At 18 APRIL 2005

### (III) SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	Note	%
Metronic Corporation Sdn Bhd	127,593,000	45.00	-	1	-
Dato' Abd Gani bin Yusof	48,419,780	17.08	127,593,000	1	45.00
Dr Ng Tek Che	11,263,600	3.97	127,593,000	1	45.00
Liew Chiap Hong	11,263,600	3.97	127,593,000	1	45.00

Note

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

### (IV) DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	Note	%
Dato' Abd Gani bin Yusof	48,419,780	17.08	127,593,000	1	45.00
Dr Ng Tek Che	11,263,600	3.97	127,593,000	1	45.00
Liew Chiap Hong	11,263,600	3.97	127,593,000	1	45.00

Note

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

## LIST OF PROPERTIES

As At 31 December 2004

Location	Description/ Existing use	Land area sq. ft.	Built-up area sq. ft.	Date of certificate of fitness	Approximate age of building/ Tenure	Net book value  RM'000
<p>Lot No. SDF 21, Type C HS(D) 142746, P.T. No. 17691 Mukim of Damansara, District of Petaling Selangor Darul Ehsan</p> <p>Bearing postal address: No. 2 Jalan Astaka U8/83 Bukit Jelutong, Seksyen U8 40150 Shah Alam Selangor Darul Ehsan</p>	3-storey semi- detached office cum factory	23,838	25,112	17 November 2000	4 years / Freehold	3,028
<p>Lot No. SDF 22, Type 1 HS(D) 142747, P.T. No. 17692 Mukim of Damansara, District of Petaling Selangor Darul Ehsan</p> <p>Bearing postal address: No. 4 Jalan Astaka U8/83 Bukit Jelutong, Seksyen U8 40150 Shah Alam Selangor Darul Ehsan</p>	3-storey semi- detached office cum factory	16,948	18,621	17 November 2000	4 years / Freehold	2,574
<p>H.S (D) 106177, PT No. 14055 Mukim of Setul, District of Seremban Negeri Sembilan</p> <p>Bearing postal address: Lot 1888, College Heights Garden Resort Nilai, Seremban</p>	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	246



## LIST OF PROPERTIES

As At 31 December 2004

Location	Description/ Existing use	Land area sq. ft.	Built-up area sq. ft.	Date of certificate of fitness	Approximate age of building/ Tenure	Net book value  RM'000
HS (D) 256676, Lot No. PTB 20214 Township and District of Johor Bahru Johor  Bearing postal address: Unit no. 3F-47, 3rd Floor, Lot 1 JB Water Front City, Jalan Tun Sri Lanang 80000 Johor Bahru, Johor	Shop lot	N/A	475	23 February 2001	4 years/ Leasehold for 99 years expiring on 4 December 2095	357
Master Title No. H.S (D) 23692 Master Lot No. P.T. 9187 Mukim and District of Petaling Selangor  Bearing postal address: Unit nos. 4-G and 4-1, Ground and 1st Floors Block B, Jalan PJS 5/2, Taman Desaria 46000 Petaling Jaya	Shop lot	N/A	3,286	11 March 1997	8 years/ Leasehold for 99 years expiring on 17 June 2086	260
Master Title GRN 45305 Lot 36139 Mukim Petaling, District of Kuala Lumpur (Formerly known as H.S (D) 79265)  Bearing postal address: B-7-12, 7th Floor, Block B, Pearl Point Condominiums, Jalan Sepadu 3, Taman United, 58200 Kuala Lumpur	Apartment for investment purposes	N/A	1,076	22 January 1997	8 years/ Freehold	154



**METRONIC GLOBAL BERHAD (632068-V)**

**FORM OF PROXY**

I/We, \_\_\_\_\_ NRIC No. \_\_\_\_\_ being a member/members of METRONIC GLOBAL BERHAD hereby appoint \_\_\_\_\_ of \_\_\_\_\_

NRIC No. \_\_\_\_\_ or failing him/her, CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of Metronic Global Berhad to be held at Room St Andrew's 1 & 2, Pan Pacific Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250, Shah Alam, Selangor Darul Ehsan on Wednesday, 15 June 2005 at 10.00 am and/or at any adjournment thereof.

No.	Resolution	For	Against
<b>Ordinary Business</b>			
1	To receive and adopt the Audited Financial Statements and Reports for the period ended 31 December 2004		
2	To approve the payment of a Final Dividend		
3	Re-election of Encik Amirudin bin Mohd Baria as Director		
4	Re-election of Mr Li Ji Chang as Director		
5	Re-election of Mr Lee Fok Chong as Director		
6	Re-election of Encik Subhi bin Hj Dziyauddin as Director		
7	To approve the payment of Directors' Fees		
8	Re-appointment of Auditors		
<b>Special Business</b>			
9	Grant of Authority Pursuant to Sec. 132D of the Companies Act, 1965.		
10	Proposed Ratification of Recurrent Related Party Transactions with Metronic Corporation Sdn Bhd		
11	Proposed Ratification of Recurrent Related Party Transactions with Meditechnique Sdn Bhd		
12	Proposed Ratification of Recurrent Related Party Transactions with ITG Worldwide (M) Sdn Bhd		
13	Proposed Ratification of Recurrent Related Party Transactions with MH Projects Sdn Bhd		
14	Shareholders' Mandate for Recurrent Related Party Transactions with Metronic Corporation Sdn Bhd		
15	Shareholders' Mandate for Recurrent Related Party Transactions with Meditechnique Sdn Bhd		
16	Shareholders' Mandate for Recurrent Related Party Transactions with ITG Worldwide (M) Sdn Bhd		
17	Shareholders' Mandate for Recurrent Related Party Transactions with Integrated Commerce Sdn Bhd		
18	Shareholders' Mandate for Recurrent Related Party Transactions with MH Projects Sdn Bhd		

Please indicate with an "X" in the space provided, how you wish your vote to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.

No. of Shares Held

.....  
Signature / Common Seal

.....  
Date

**Notes**

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company and provision of Sec 149(1) (b) of the Companies Act 1965 need not be complied with.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy. Duplication of proxy form is allowed for appointment of additional proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under seal or under the hand of an official or attorney duly authorized.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at 650, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. If no name is inserted in the space provided for name of proxy, the Chairman of meeting shall act as proxy.
7. A member should insert the number of shares held in the box provided. If no number is inserted, the form of proxy will be deemed to relate to all shares held by the member.

FOLD THIS FLAP FOR SEALING

---

FOLD HERE

---

STAMP



**METRONIC GLOBAL BERHAD** (632068-V)  
650, Block A, Kelana Centre Point  
No. 3, Jalan SS 7/19, Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan

FOLD HERE

---



