METRONIC

Metronic Global Berhad (632068-V)

ANNUAL REPORT **2009**

Metronic Global Berhad
(632068-V)

CONTENTS

Our Vision

To be an internationally recognised leading engineering and technology total solution provider.

Our Mission

- **To apply our unique management style** that incorporates our manpower resources, experience, expertise, innovation and creative approach.
- **To continuously seek new technologies** that meet our clients' requirements.
- **To create a workplace** that motivates our employees.
- **To develop strategic relationships with partners** who have skills that enhance and complement our own.
- **To continually improve** the effectiveness of the quality management system.
- **To maximise value** of our stakeholders.

Board of Directors

Tan Sri Dato' Kamaruzzaman bin Shariff
Executive Chairman

Dato' Abd. Gani bin Yusof
Executive Vice-Chairman

Dr Ng Tek Che
Group Managing Director

Liew Chiap Hong
Executive Director

Lim Tzeh Foong
Independent Non-Executive Director

Datuk Subhi bin Hj Dziyauddin
Independent Non-Executive Director

Amirudin bin Mohd Baria
Independent Non-Executive Director

Edmund Chuah Choong Eng Huat
Non-Independent Non-Executive Director

Audit Committee

Lim Tzeh Foong
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Amirudin bin Mohd Baria
Member

Remuneration Committee

Lim Tzeh Foong
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Amirudin bin Mohd Baria
Member

Liew Chiap Hong
Member

Nomination Committee

Datuk Subhi bin Hj Dziyauddin
Chairman

Lim Tzeh Foong
Member

Dr Ng Tek Che
Member

Company Secretaries

Azlan Mohd Ariff
(LS 0008402)

Sheila Winston Payne
(LS 0009002)

Registered Office

No 4, 2nd Floor, Jalan 3/27F
Desa Setapak, Wangsa Maju
53300 Kuala Lumpur

Tel : 03 - 4149 6135
Fax : 03 - 4149 6455

Registrar

Tricor Investor Services Sdn Bhd
(Formerly known as Tenaga Koperat Sdn. Bhd.)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Tel : 03 - 2264 3883
Fax : 03 - 2282 1886

Auditors

Ernst & Young (AF 0039)
Chartered Accountants

Solicitors

Messrs Bahari & Bahari

Messrs Liow & Co

Messrs Lawrence Hisham & Co

Principal Bankers

Malayan Banking Berhad

United Overseas Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Malaysia Debt Ventures Berhad

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Stock name : MTRONIC

Stock code : 0043

COMPANY HISTORY AND DEVELOPMENT

Background of Company

Metronic Global Berhad (“The Company” or “MGB”) was incorporated in Malaysia under the Companies Act, 1965 on 22 October 2003. The Company was listed on MESDAQ Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 24 May 2004 and subsequently transferred to the Main Board (now known as Main Market) of Bursa Securities on 12 July 2007. MGB is an investment holding company with thirteen (13) subsidiaries, an associated company, and a jointly controlled entity as at the date of this report.

The subsidiaries of the Company specialise in the system integration of intelligent building management system (“IBMS”) and integrated security management system (“ISMS”), e-project management (“e-PM”) of mechanical and electrical services and provision of online administration services for the healthcare sector. Fundamental to this success is the mission of the Company and its subsidiaries (“the Group” or “MGB Group”) to continually exceed customers’ increasing expectations. MGB Group focuses on building and integrating world-class technology to the market and is committed to continuously improve its quality, service and productivity.

The Evolution of the MGB Group

(a) The Origin - Building Automation

The origin of the MGB Group can be traced back more than two (2) decades when Metronic Engineering Sdn Bhd (“MESB”) was incorporated in August 1984 to provide building automation services specialising in the field of IBMS and ISMS. MESB subsequently expanded its business activities to include e-PM of mechanical and electrical services and supply of engineering systems. MESB carries products by principals such as TAC Controls Pte Ltd and Honeywell Integrated Security, USA which are amongst the world’s leading companies in IBMS and ISMS.

(b) The Early Years - Intelligent Buildings

In 1995, Metronic Integrated System Sdn Bhd (“MISSB”) was incorporated to complement MESB’s existing business activities. MISSB is principally engaged in the procurement of contracts in relation to engineering work specialising in the field of IBMS and ISMS, and sales of engineering system and equipment. During the early years, MISSB played a pivotal role in nation building by providing state-of-the-art e-project management and system integration services for hospitals, office buildings, shopping complexes, airports, oil refineries and manufacturing plants. Over the years, the Group has leveraged its expertise to develop unique and innovative IBMS and ISMS products, solutions and services, mainly in the areas of “intelligent buildings”.

(c) The Evolution - Convergence of Technology

As technology progresses, intelligent buildings have evolved from mere stand-alone entities into interconnected hubs within the citywide infrastructure, known as “intelligent cities”. With the convergence of technology, stand-alone buildings are slowly forming into smaller, ecosystems comprising a tightly integrated network of buildings that better enable the management and optimisation of systems and resources. The driving force of the evolution of intelligent cities is the ability to reduce cost, optimise manpower utilisation and enhance service levels through aggregation, service integration and process automation.

(d) The Recent Years -

(i) Towards ICMS

Driven by similar factors, the Group has made bold steps in adopting new technologies and investing in Research & Development ("R&D") to realise its vision as an Intelligent City Management System ("ICMS") provider.

Metronic iCares Sdn Bhd ("MICSB") was incorporated in March 2006 as a Third Party Administrator ("TPA") and Managed Care Organisation ("MCO") for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.

Metronic Mobile Services Sdn Bhd ("MMSSB") was incorporated in May 2006 with the intention to extend the Group's services to mobile internet service.

Metronic R&D Sdn Bhd ("MRDSB") was incorporated in December 2006 to be the R&D division of the Group.

The Company acquired 40% equity interest in Ariantec Sdn Bhd ("Ariantec") in July 2007. Ariantec is a value-added provider of data network infrastructure and managed security systems and solutions. The Company's equity interest in Ariantec reduced from 40% to 25.27% as a result of a special issue of shares to the key management of Ariantec in February 2009. In November 2009, the Company disposed of its entire equity interest in Ariantec for the total disposal consideration of RM8.7 million fully satisfied via the issuance of 96,657,750 new ordinary shares at par value of RM0.10 each of Global Soft (MSC) Bhd (now known as Ariantec Global Berhad) ("AGB") at market price of RM0.09 per share on the completion day. As a result, Ariantec ceased to be an associated company of the Company, in which the Company became one of the substantial shareholders in AGB, holding approximately 16.99% equity interest in AGB.

The Company acquired 60% equity interest in Adprima Sdn Bhd ("Adprima") in July 2007. Adprima carries out special project management consultancy and performance contracting business. In line with the Group's direction in divesting its non-profitable business, the Company's entire equity interest in Adprima was disposed of in August 2009.

In September 2008, the Company entered into a joint venture cum shareholder agreement with Jiang Xiaoli, a citizen of People's Republic of China ("PRC") to form Ideal Ultimate Sdn Bhd ("IUSB") with the intention to co-operate and collaborate on the development and commercialisation of the Optical Fibre Perimeter Security System.

In January 2009, the Company acquired an effective equity interest of 82.5% in IPanel Malaysia Sdn Bhd ("IPM") and 30% in IPanel Pte Ltd, Singapore ("IPS"). IPM and IPS carry out research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system.

The establishment and acquisition of these companies strengthen the Group's position in the value chain towards becoming an ICMS provider. By converging newer technologies with the JBCM™ (Java Based Control & Monitoring Software) platform, the Group is able to provide a value-added proposition for its customers by enhancing and expanding its product applications. In line with the Group's plan to migrate as a provider of ICMS, these technologies will significantly enhance application security, manageability, reliability and availability of any application while lowering the cost of operations for its customers.

(ii) Towards Global Progression

For geographical expansion, MGB Group has embarked on a series of acquisition strategies in 2006 and 2007 to complement the local markets. As at today, the Group has reached China, India, Australia, Singapore, Vietnam, Saudi Arabia and Middle East countries.

Metronic Microsystem (Beijing) Company Limited, China ("MMBCL") and Metronic Engineering Private Limited, India ("MEPL") were incorporated in January 2005 and June 2005 respectively to expand and penetrate the China and India markets.

Metronic Australia Private Limited ("MAPL"), an Australian company was incorporated in June 2006 with the intention to market and distribute automation and energy systems for the worldwide market.

In year 2007, the Company acquired 25% equity interest in Unilink Development Limited ("Unilink"), an investment holding company incorporated in Hong Kong with investment in Hangzhou Heng-Ai Electronics Co Ltd ("Heng-Ai"), and Newtronics Hangzhou Co, Ltd ("Newtronics"). Newtronics is principally engaged in high volume printed circuit board assembly, cellular phone and other electronic products assembly, whilst Heng-Ai is principally engaged in the assembly of mobile telecommunication component products. MGB has an effective equity interest of 20% in both Heng-Ai and Newtronics.

During year 2007, Unilink also acquired 100% equity interest in Tracker Shine Limited (BVI), an investment holding company that holds 100% equity in Vigorhood Photoelectric Shenzhen Co. Ltd ("Vigorhood"). Vigorhood is principally engaged in the manufacture and sale of digital cameras and related products certified by FCC and CE. In line with the Group's direction in divesting its non-profitable business, Unilink disposed of its entire equity interest in Vigorhood in May 2010.

The Company incorporated Securetrax Solutions Pte Ltd ("Securetrax") in Singapore in January 2007 for the development, distribution and marketing of a series of products relating to Home Land Security.

The Company incorporated a joint venture company known as Metronic Saudi Arabia LLC ("MSA") in the Kingdom of Saudi Arabia with a local partner in December 2007 with the intention to provide IBMS and ISMS services and solutions in the Kingdom of Saudi Arabia.

In September 2008, the Company set up a wholly-owned subsidiary in Vietnam, Metronic Vietnam Company Limited ("MVCL") to expand and penetrate into Vietnam market.

In December 2009, the Company via its wholly-owned subsidiary, MESB, registered a foreign branch known as Metronic Engineering Sdn Bhd - Abu Dhabi with the Department of Economic Development of Abu Dhabi to carry out general maintenance works for buildings and electromechanical projects contracting works in Abu Dhabi.

(iii) Venture into Water Concession Business

In year 2009, the Company set another milestone by venturing into water treatment plant business in the People's Republic of China ("PRC"). In February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with Lai'An County Water Utility Board, Anhui Province in the PRC for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province via a wholly owned foreign subsidiary known as Anhui Lai'An Metronic Water Supply Company Limited. The investment in the water concession business represents a significant step for the Group as it enables the Group to tap into the potential growth and lucrative recurrent revenue offered by the Chinese market in line with China's urbanisation and awareness in environmental protection and need for safe-drinking water for rural, commercial and industrial development.

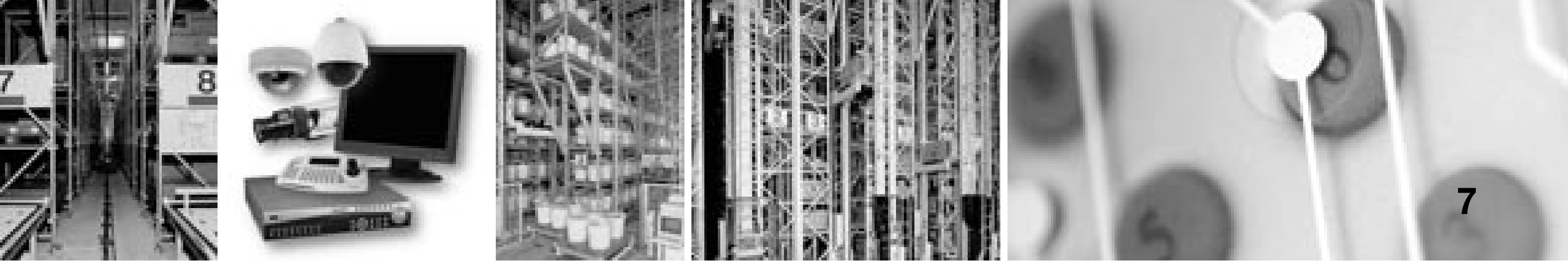
PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

Presently, MGB Group, through its subsidiaries, specialises in IBMS and ISMS which encompass hardware and software required for the control and management of an intelligent building with components including heating, ventilation and air conditioning, lighting, fire and security equipment.

The key drivers that are guiding the building/construction industry to adopt this technology are:

- the onset of the network convergence of the CCTV, computers, alarm system and access control with the advance technology of biometrics;
- prevalent use of Internet and IP networking; and
- the efficiency of the system as it saves time and travel costs

The integration of the building/industrial automation system and security system has become one of the most popular methods used by many corporations in converging their existing system into an all encompassing system. Two (2) of the main components of the IBMS and ISMS are the hardware and the software solutions. The hardware portion includes security devices such as CCTV, the video recording (either digital or analogue), access control and the intrusion devices. The software solution is an important feature which ensures that this equipment communicates and works coherently in a common personal computer-based environment.



The Group is presently a key player in the IBMS and ISMS industry in Malaysia and with its expertise in system integration and knowledge of advanced technology, the Group aims to move beyond the field of intelligent building into a higher level of intelligent city. The Group has made bold steps in adopting new technologies and investing in R&D to realise its vision as an Intelligent City Management System ("ICMS") provider.

The current business divisions of the MGB Group are highlighted as follows:

(i) IBMS Division

IBMS is an integration of Building Automation System, Access Control, Closed Circuit TV ("CCTV") System and Addressable Fire Control & Monitoring System into one single intelligent system. There are three sub-divisions as follows:

- Building Automation System ("BAS")
- Java Based Control & Monitoring Software ("JBCM")
- Smart Home

(ii) ISMS Division

ISMS provides a high level of security solutions by integrating all the individual security system like CCTV, Card Access, Perimeter Intrusion Detection System, Door Monitoring System, Guard Tour System and Asset Tracking System into one single intelligent device.

(iii) e-PM Division

The Group is involved in the provision of engineering services specialising in the field of Mechanical and Electrical ("M&E") and medical equipment for the healthcare industry.

Based on the current track records, the Group is continually developing the Building M&E knowledge base and expertise within the Group as part of the division's objectives to be sufficiently prepared to be a competitive Design and Construct M&E Contractor.

(iv) Industrial Automation Division

The Group, through its strategic alliance with a Japanese partner is involved in the provision of industrial automation specialising in Automatic Storage and Retrieval Systems ("ASRS"). The logistic solutions offered by the Group focus on efficient storage of goods while preserving their quality and facilitate smooth retrieval as and when needed. Some of the solutions offered can help improve product quality during speedy inspection, perform multiple distribution centres with cross-docking facilities, enable the timely supply of large variety/high volume goods and demand can be ascertained in real time through the inventory control system.

(v) ICT Support System Division

In order to diversify itself from automation businesses, ICT support system division has been established to complement its existing business activities and to broaden the value-added services provided.

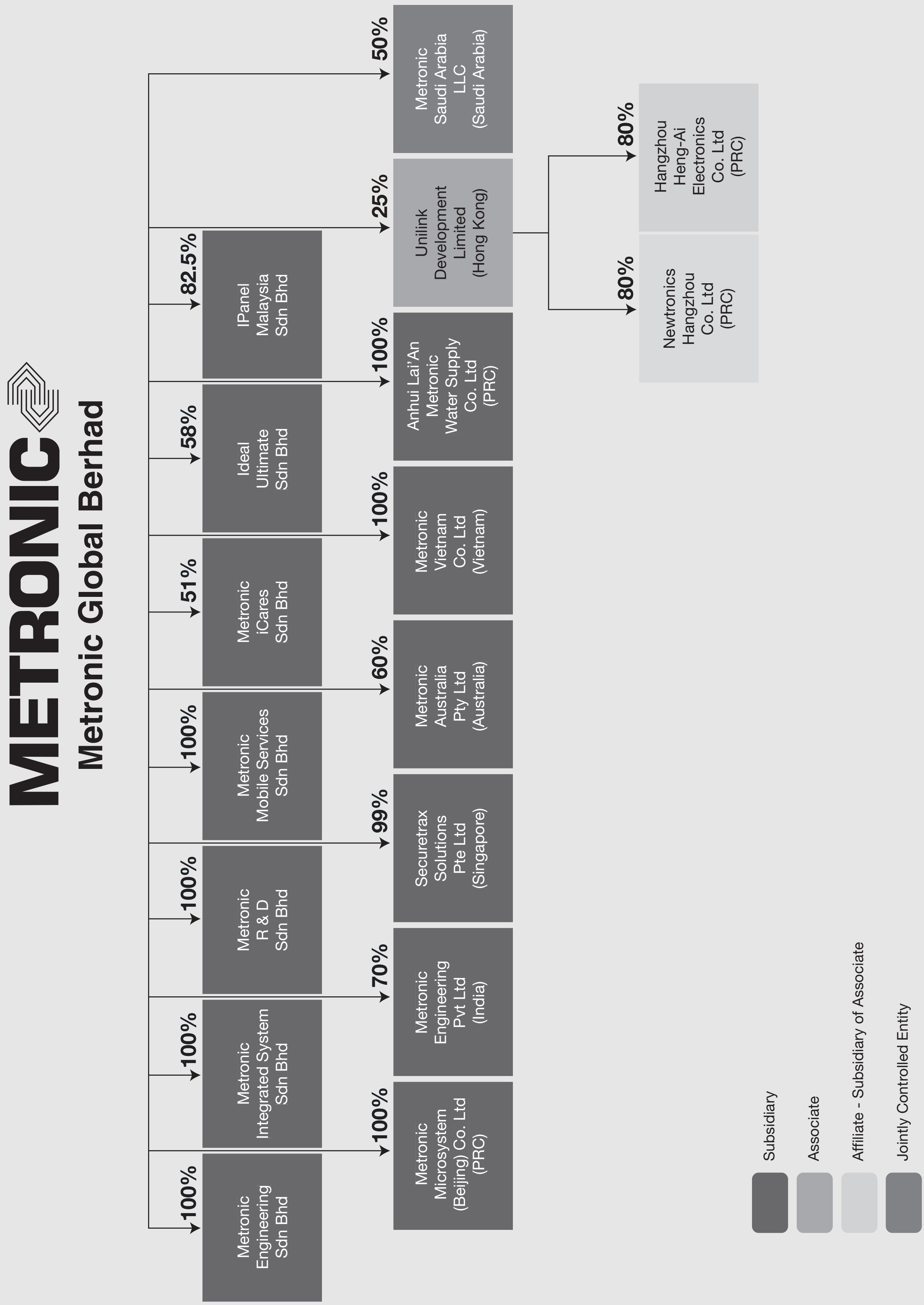
The Group through its subsidiary, MICSB acts as a TPA and MCO for the healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet ("iCare System"). The iCare System is a third party administration system that provides healthcare service providers, insurance companies, insurance brokers, commercial companies and its employees with an easy one-stop claims and data processing and management. The iCare System runs on an Application Service Provider concept whereby transaction fees and headcount fees will be levied accordingly. The entire end-to-end system is developed in .NET technology, with three ("3") main users, namely, insurance companies/corporates, the company's administrator and healthcare service providers.

(vi) Design and Manufacturing

Through the investment in Unilink, the Group is able to penetrate the fast-growing telecommunications industry in China and to diversify into manufacturing activities in addition to its current contract-based projects.

The services provided by Newtronics and Heng-Ai include the following:-

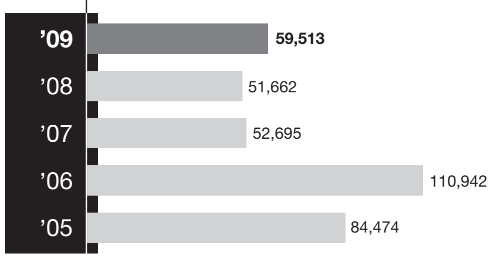
- Lead free printed circuit board and cellular phone assembly;
- New products management and support, including prototype manufacturing, design for manufacturing analysis report, testing platform support, testing flow design as well as manufacturing process design; and
- After sales repair services.



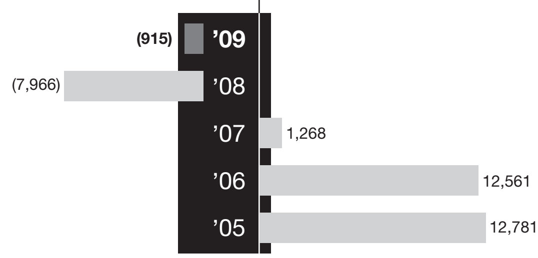
METRONIC
Metronic Global Berhad
100%
Metronic Engineering Sdn Bhd
100%
Metronic Integrated System Sdn Bhd
100%
Metronic R & D Sdn Bhd
100%
Metronic Mobile Services Sdn Bhd
51%
Metronic iCares Sdn Bhd
58%
Ideal Ultimate Sdn Bhd
82.5%
IPanel Malaysia Sdn Bhd
100%
Metronic Microsystem (Beijing) Co. Ltd (PRC)
70%
Metronic Engineering Pvt Ltd (India)
99%
Securetrax Solutions Pte Ltd (Singapore)
60%
Metronic Australia Pty Ltd (Australia)
100%
Metronic Vietnam Co. Ltd (Vietnam)
100%
Anhui Lai'An Metronic Water Supply Co. Ltd (PRC)
25%
Unilink Development Limited (Hong Kong)
50%
Metronic Saudi Arabia LLC (Saudi Arabia)
80%
Newtronics Hangzhou Co. Ltd (PRC)
80%
Hangzhou Heng-Ai Electronics Co. Ltd (PRC)
Subsidiary
Associate
Affiliate - Subsidiary of Associate
Jointly Controlled Entity

	2005 RM'000	2006 RM'000	2007 RM'000 (Restated)	2008 RM'000	2009 RM'000
Revenue	84,474	110,942	52,695	51,662	**59,513**
Profit/(loss) before tax	12,781	12,561	1,268	(7,966)	**(915)**
Profit/(loss) for the year	9,223	9,029	414	(7,310)	**(1,539)**
Profit/(loss) attributable to equity holders of the Company	9,249	9,215	988	(7,260)	**(2,086)**
Shareholders' funds	52,952	61,419	80,728	75,203	**72,840**
Net earnings per share (sen)	3.26	3.25	0.17	(1.14)	**(0.33)**
Net assets per share attributable to equity holders of the Company (sen)	18.68	21.66	12.71	11.84	**11.47**

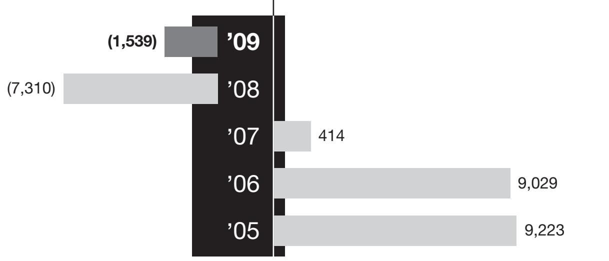
REVENUE
RM'000



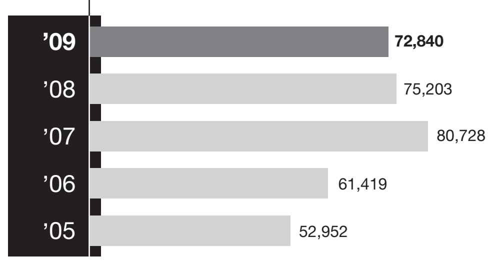
PROFIT/(LOSS) BEFORE TAX
RM'000



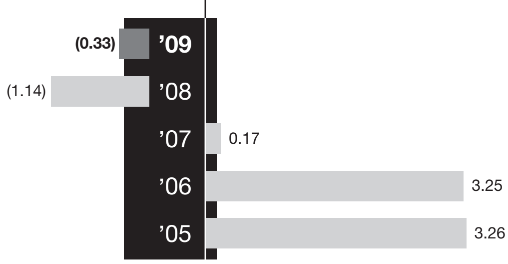
PROFIT/(LOSS) FOR THE YEAR
RM'000



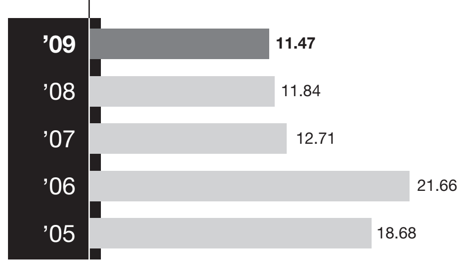
SHAREHOLDERS' FUNDS
RM'000



NET EARNINGS PER SHARE
sen



NET ASSETS PER SHARE
sen



Tan Sri Dato' Kamaruzzaman bin Shariff
Executive Chairman

Tan Sri Dato' Kamaruzzaman bin Shariff, a Malaysian, aged 68, was appointed as Executive Chairman of Metronic Global Bhd ("MGB" or "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 served the Malaysian Civil Service for 38 years where he held various senior positions in the Federal and State Government, having served the last six (6) 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 Director General of the Public Services Department in 1992, Penang State Secretary from 1988 to 1992, Secretary in the Cabinet Division of the Prime Minister's Department from 1983 to 1987, Director of External Assistance and General Affairs in 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 Government Service.

He currently sits as the Executive Chairman of Emas Kiara Industries Berhad and as the Non-Executive Chairman of Bintai Kinden Corporation Berhad, Ho Hup Construction Company Berhad and Lereno Bio-Chem Ltd, Singapore. He is also a director of Kontena National Berhad.

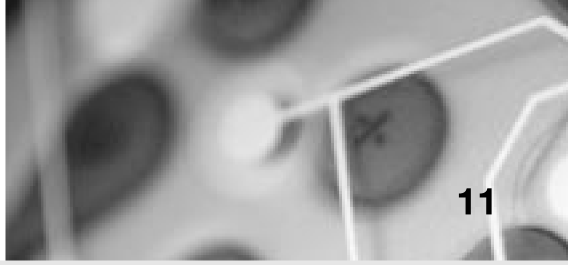
He has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He has no conviction of any offences in the past 10 years. He is a shareholder of the Company.

Dato' Abd. Gani bin Yusof
Executive Vice-Chairman

Dato' Abd. Gani bin Yusof, a Malaysian, aged 55, 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 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.

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

He has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He has no conviction of any offences in the past 10 years. He is a major shareholder of the Company.



Dr Ng Tek Che
Group Managing Director

Dr Ng Tek Che, a Malaysian, age 54, was appointed as the Group Managing Director of the Company on 22 March 2004. He is also a member of the Nomination Committee. 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 a 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 has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a major shareholder of the Company.

Liew Chiap Hong
Executive Director

Mr Liew Chiap Hong, a Malaysian, aged 54, was appointed as the Executive Director of the Company on 22 March 2004. He is also a member of the Remuneration Committee. 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 has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a major shareholder of the Company.

Lim Tzeh Foong
Independent Non-Executive Director

Mr Lim Tzeh Foong, a Malaysian, aged 39, was appointed as Independent Non-Executive Director of the Company on 1 August 2008. He is also the Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee. He is a Fellow member of Association of Chartered Certified Accountants of United Kingdom, a Chartered Accountant of the Malaysian Institute of Accountants and an Associate member of the Chartered Tax Institute of Malaysia. He started his career in Ernst & Young in 1993 and left as audit manager in January 2003. During his tenure of service in Ernst & Young, he gained experience in audit of private and public companies and subsidiaries of multinational companies in various industries and businesses. He set up his own professional accounting practice in January 2004 and has been practicing since then.

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

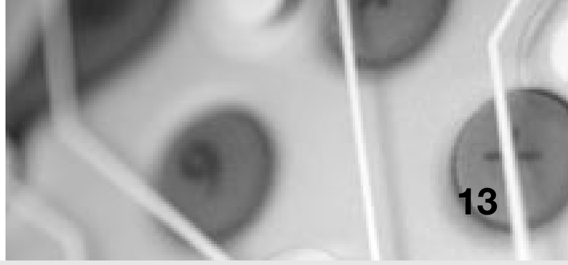
He has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He had no conviction of any offences in the past 10 years. He does not hold any shares in the Company.

Datuk Subhi bin Hj Dziyauddin
Independent Non-Executive Director

Datuk Subhi bin Hj Dziyauddin, a Malaysian, aged 47, was appointed as the Independent Non-Executive Director of the Company on 22 March 2004. He is also the Chairman of Nomination Committee and a member of Audit and Remuneration Committees. 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 Bursa Malaysia Securities Berhad 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.

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

He has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He had no conviction 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

Encik Amirudin bin Mohd Baria, a Malaysian, aged 52, was appointed as the Independent Non-Executive Director of the Company on 6 August 2004. He is also a member of Audit and Remuneration Committees. 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 a manager. During the period from February 1997 to December 1999, he was appointed as the private secretary to YB. Dato' Sri 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 has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He had no conviction of any offences in the past 10 years. He does not hold any shares in the Company.

Edmund Chuah Choong Eng Huat
Non-Independent Non-Executive Director

Mr Edmund Chuah Choong Eng Huat, a Malaysian, aged 48, was appointed as the Non-Independent Non-Executive Director of the Company on 20 July 2007. Upon graduation in 1985, from Trinity College Dublin, University of Dublin, Ireland, he then started working as a Design Engineer in the field of Structural Engineering for 3 years after which he obtained a Scholarship from National University of Singapore to pursue his Post Graduate in Mechanical & Electrical Engineering. Upon completing his Masters in Engineering, he setup ER Mekatron Sdn Bhd whereby he is the Managing Director.

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

He has no family relationship with any of the directors and/or major shareholders of the Company and its subsidiaries. He does not have any conflict of interest with the Company other than the disclosures made under Related Party Transactions which appear on Note 33 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a shareholder of the Company.

Dear Shareholders,

On behalf of the Board of Directors of Metronic Global Berhad ("MGB" or "the Company"), it is my pleasure to present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2009.

INDUSTRY AND OPERATING ENVIRONMENT OVERVIEW

Undeniably, 2009 was a challenging year due to the worst global recession in decades as a result of the severe financial crisis that started in end 2007. The global economic recovery is under way but is expected to be fragile and slow in 2010 with projected global growth of 2.7% in 2010 and 3.2% in 2011 after a 2.2% decline in 2009. (Source: The World Bank Data & Research).

Malaysian economy has not been spared from the chained effects of the slowdown in the global economy. Nevertheless, the Malaysian economy contracted by only 1.7% in 2009 despite the severe negative growth reported for the first three quarters. This is attributable to the momentum growth of 4.5% in the fourth quarter backed by the strengthened domestic and external demand as a result of the implementation of the fiscal stimulus measures and the easy monetary policy by the Government. (Source: Department of Statistics, Malaysia).

The Malaysian construction sector continued to strengthen significantly by registering a growth of 9.2% in the fourth quarter of 2009 attributable to the ongoing implementation of the first and second stimulus package as well as the remaining projects under the Ninth Malaysia Plan. Annual growth in this sector expanded by 5.7% compared to 2.1% growth in 2008 and this is the highest growth since 1997. (Source: Department of Statistics, Malaysia).

FINANCIAL REVIEW

The group's total revenue increased to RM59.51 million for the current financial year ended 31 December 2009 against the previous financial year's revenue of RM51.66 million, reflecting an increase ofRM7.85 million or 15%, mainly contributed by both engineering and ICT support services segment.

The Group recorded a loss before taxation of RM0.92 million, representing a reduction in loss of RM7.05 million or 88% compared to the loss before taxation of RM7.97 million for the previous financial year. The lower loss was in line with the increase in revenue and gross profit, and attributable to the lower operating expenses incurred coupled with the gain on disposal of an associate during the current financial year ended 31 December 2009. The lower loss was, however, partially offset by the share of losses of associates and impairment of goodwill during the financial year.

OPERATIONS OVERVIEW

Engineering Division

Engineering division remains the main source of revenue for the Group. Revenue from Engineering division rose by RM4.58 million or 9% from the previous financial year and accounted for 90% of the Group revenue for the financial year under review.

During the financial year 2009, the Group successfully secured IBMS and ISMS projects with a total worth of RM56.90 million both locally and overseas which include:

- Arzanah Development, Sector W-57, Abu Dhabi, United Arab Emirates - Rihan Heights (Phase 1A - Plot H);
- Proposed Mixed Development on Lot 171 (Lot C) at Persiaran KLCC, Kuala Lumpur City Tower Center;
- Hospital Rehabilition Cheras - Package II;
- Government Administrative office at Lot 5G2, Putrajaya; and
- 4G8, 4G9, 4G10 & 4G11, Percinct 4, Pusat Pentadbiran Kerajaan, Persekutuan Wilayah Putrajaya.

ICT Support Services Division

The Company's diversification into ICT Support Services business has yielded a fruitful result following Metronic iCares Sdn Bhd's ("MICSB") recording of its maiden profit for the financial year 2009. In addition, MICSB's revenue grew significantly from RM2.46 million from the previous year to RM5.73 million which represented a rise of 133%. MICSB's growth owes much to its clients' belief and confidence in MICSB's technical capabilities and services, coupled with competent execution of works.

The iCare System is now well established in the Malaysian healthcare industry. As at today, MICSB has successfully secured 25 major accounts with its principal clients. To assist its principal clients, MICSB has now installed this end-to-end web-based technology, called iCare System through a network of over 110 panel hospitals and 1450 panel clinics.

CORPORATE DEVELOPMENTS

The following are highlights of some of the corporate developments that took place during the financial year and up to the date of this report:

(i) Acquisition of IPanel Malaysia Sdn Bhd ("IPM") and IPanel Pte Ltd ("IPS")

On 6 January 2009, the Company completed the acquisition of 75% equity interest in IPM, 30% equity interest and entire (60,000 of S$1.00 each) preference shares of IPS from Goldis Berhad for a total cash consideration of RM1.2 million. IPS is the registered and beneficial owner of 25% in IPM. As a result, the Company holds an indirect interest of 7.5% and a total effective equity interest of 82.5% in IPM. The principal activities of IPM are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system. The principal activities of IPS are sale of electronic products and intelligent facilities management system. The acquisition will enable the MGB Group to diversify its product range and acquired new technology which will enhance the Group's competitiveness to secure additional contracts in local and oversea markets.

(ii) *Water Concession Agreement with Lai'An County Water Utility Board ("Water Utility Board"), Anhui Province in the People's Republic of China ("PRC")*

On 2 February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with the Water Utility Board, Anhui Province in the PRC for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the PRC via a wholly-owned foreign subsidiary known as Anhui Lai'An Metronic Water Supply Company Limited which was incorporated on 11 March 2009. The total investment capital was agreed at US$3.35 million and the Company has invested US$820,512 (equivalent to RM2.88 million) todate.

The investment is to enable the MGB Group to venture in the water concession business by tapping into the potential growth offered by the Chinese market in-line with China's urbanization and awareness in environmental protection and need for safe-drinking water for rural, commercial and industrial development. The investment will also expand and diversify the Group's revenue base and generate recurring income to complement the Group's mainly project based revenues/incomes.

(iii) *Disposal of Ariantec Sdn Bhd ("Ariantec"), an associated company of MGB*

On 26 November 2009, the company completed the disposal of 1,000,000 ordinary shares of RM1.00 each representing 25.27% equity interest in Ariantec to Global Soft (MSC) Bhd (now known as Ariantec Global Bhd) ("AGB") for a total disposal consideration of RM8.666 million which was fully satisfied by the issuance of 96,657,750 new ordinary shares at par value of RM0.10 each in

AGB ("Consideration Shares") at the market price of RM0.09 per share on the completion day ("Disposal"). As a result, Ariantec ceased to be an associate of the Company, in which the Company became one of the substantial shareholders in AGB, holding approximately 16.99% equity interest in AGB.

The Disposal is consistent with the Company's corporate strategy to unlock its investment in Ariantec to convert non-liquid investment to more liquid investment in the form of Consideration Shares which are listed on ACE Market of Bursa Malaysia Securities Berhad.

(iv) *Registration of Metronic Engineering Sdn Bhd - Abu Dhabi Branch*

On 17 December 2009, the Company's wholly-owned subsidiary, Metronic Engineering Sdn Bhd registered a foreign branch known as Metronic Engineering Sdn Bhd - Abu Dhabi ("the Branch") with the Department of Economic Development of Abu Dhabi. The Branch has been issued with a commercial license by the Department of Economic Development of Abu Dhabi to carry out general maintenance works for buildings and electromechanical projects contracting works.

PROSPECTS

The projected growth of the Malaysian economy is between 4.5% and 5.5% backed by the Government's implementation of the fiscal stimulus measures and easy monetary policy. Although all available evidence clearly showed that Malaysia was out of recession, the Malaysian economy is expected to face more challenging times in year 2010 as the recovery of the global economy is expected to be gradual and uneven due to downside risks faced by the advanced economies. As such, the Directors are cautiously optimistic about the Group's performance in the forthcoming year. The Group will continue taking various measures to enhance operational efficiency and effective cost management, while focusing on its marketing strategies in order to improve the performance of the Group.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders, customers, business associates, bankers and other stakeholders for their unwavering support. The year 2009 has been a rather turbulent one, and I am grateful that they have stood by the Company and continued to give us strong support. I would also like to thank our employees for their dedication and hard work. We look forward to their continuing partnership to propel the Group forward in the future.

Last but not least, I would like to extend my appreciation to my fellow Directors for their support and contribution to the Group.

The Board does not recommend the payment of any dividend in respect of FYE 2009 in view of the Group's financial performance.

On behalf of the Board

Tan Sri Dato' Kamaruzzaman Bin Shariff
Executive Chairman

The Board of Directors ("the Board") of Metronic Global Berhad ("MGB" or "the Company") is committed to ensure that the highest standards of corporate governance are observed and practised consistently throughout the Group. The Board views this as a fundamental part of discharging its responsibility to protect and enhance shareholders' value and the financial performance of the Company. Measures to implement and adopt the principles and best practices of the Malaysia Code on Corporate Governance ("the Code") in conjunction with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") are continuously being carried out by the Group.

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 year under review unless stated otherwise.

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 inter alia, approval of major investments, divestments, capital expenditures, financial matters, related party transactions, financial and operating results and performance of the Group and in establishing key policies and procedures.

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. This is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities which requires at least two (2) directors or 1/3 of the Board of Directors, whichever is the higher, to be independent.

The Board comprises professionals drawn from varied backgrounds bringing in considerable knowledge, skills 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 judgment.

There is clear division of responsibility between the Executive Chairman, the Group Managing Director and Executive Director to ensure there is a balance of power and authority. The Board is currently led by an Executive Chairman who is primarily responsible for the orderly conduct and working of the Board. The Managing Director together with the Executive Director are primarily responsible for implementing the policies and decisions of the Board, overseeing and managing the day to day operations and managing the development and implementation of the Company's business and corporate strategies. There is no combination or overlapping of roles between the current Executive Chairman and the Group Managing Director of the Company since these two positions are held by separate individuals. As such, the Board is of the view that there is no necessity to appoint a Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

The composition of the Board is 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.

3) Board Meeting and Supply of Information

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

During the year under review, five (5) Board meetings were held and the details of attendance are as follows:

Directors	Designation	Attendance of Board Meeting 2009					Total
		26.2.09	29.4.09	28.5.09	27.8.09	25.11.09	
Tan Sri Dato' Kamaruzzaman bin Shariff	Executive Chairman	@	@	*	@	@	4
Dato' Abd Gani bin Yusof	Executive Vice-Chairman	@	@	@	@	*	4
Dr. Ng Tek Che	Group Managing Director	@	@	@	@	@	5
Liew Chiap Hong	Executive Director	@	@	@	@	@	5
Lim Tzeh Foong	Independent Non-Executive Director	@	@	@	@	@	5
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director	@	@	@	*	*	3
Amirudin bin Mohd Baria	Independent Non-Executive Director	@	@	*	*	@	3
Edmund Chuah Choong Eng Huat	Non-Independent Non-Executive Director	@	@	@	*	@	4
Gu Ying (Resigned on 8 April 2009)	Non-Independent Non-Executive Director	*	N/A	N/A	N/A	N/A	0

@ - *Present*
* - *Absent with apologies*
N/A - *Not applicable*

The Board is provided with agenda together with a set of Board papers prior to the Board meetings. The Board papers include minutes of previous meeting, quarterly financial results, progress reports of Group businesses, strategic proposals, regulatory and audit reports for the Board's review and approval. These documents are issued in advance to enable the Board to seek clarifications from the management to enable effective discharge of its duties. Senior management and advisers are invited to attend Board meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at the Board meetings.

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

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 three (3) members of whom all are Independent Non-Executive Directors. The members are:

Members	Designation
Lim Tzeh Foong (Chairman)	- Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	- Independent Non-Executive Director
Amirudin bin Mohd Baria	- Independent Non-Executive Director

Details of the functions and activities of the committee are set out on pages 28 to 30 of the Annual Report.

ii. Nomination Committee

The Nomination Committee was established on 11 June 2004 with the primary responsibility of ensuring that the Board has appropriate balance and size and the required mix of skills, experience and other 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
Datuk Subhi bin Hj Dziyauddin (Chairman)	- Independent Non-Executive Director
Lim Tzeh Foong	- Independent Non-Executive Director
Dr. Ng Tek Che	- Group Managing Director

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

iii. Remuneration Committee

The Remuneration Committee was established on 11 June 2004 with the responsibility of reviewing and recommending to the Board the remuneration package of Executive Directors of the Group. The main objective is to ensure the level of remuneration is attractive enough to attract and retain the Executive Directors to run the Group successfully, subject to corporate and individual performance. Fees for Independent Directors would be determined by the full Board with the approval from shareholders at the Annual General Meeting.

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

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

Members	Designation
Lim Tzeh Foong (Chairman)	- Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	- Independent Non-Executive Director
Amirudin bin Mohd Baria	- Independent Non-Executive Director
Liew Chiap Hong	- Executive Director

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

iv. Risk Management Committee

A risk management committee was established in year 2005 by the Board to undertake the responsibilities of overseeing the formulation of an effective and efficient risk management framework and policies for the Company and its subsidiaries of which the key element is to ensure correct balancing of risk and control.

The committee is under the purview of the Board. The committee comprises members from amongst the senior management and is headed by the Group Managing Director, Dr Ng Tek Che.

Details of the functions and activities of the committee are set out on pages 31 to 32 of the Annual Report.

5) Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme (MAP) in compliance with the Main Market Listing Requirement of Bursa Securities. The Board believes that Directors should receive continuous training from time to time and accordingly shall and has provided and encouraged them to attend seminars, workshops, conferences or other training programmes to keep abreast with new developments in corporate matters as well as industry practices for them to discharge their duties and responsibilities more effectively.

The trainings attended by the Directors in 2009 are as follows:

Tan Sri Dato' Kamaruzzaman bin Shariff

Finance for Non-Finance Directors	7 May 2009
Roles and Responsibilities of Board of Directors	26 November 2009
Transactions to look out for when reviewing financial information and FRS 139	26 November 2009

Dato' Abd Gani bin Yusof

Finance for Non-Finance Directors	7 May 2009

Dr. Ng Tek Che

Finance for Non-Finance Directors	7 May 2009

Liew Chiap Hong

Finance for Non-Finance Directors	7 May 2009

Lim Tzeh Foong

MIT Workshop on Witholding Tax & Cross Boarder Transaction	12 January 2009
Financial Reporting Standard 139: Recognition and Measurement Preparing to Implement	28 & 29 September 2009
Managing Risk of Tax Audit & Investigation	15 & 16 October 2009

Datuk Subhi bin Hj Dziyauddin

Finance for Non-Finance Directors	7 May 2009

Amirudin bin Mohd Baria

Finance for Non-Finance Directors	7 May 2009

Edmund Chuah Choong Eng Huat

Finance for Non-Finance Directors	7 May 2009

6) Retirement and Re-election

In accordance with the Company's Articles of Association ("Articles"), 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 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 Articles, and being eligible have offered themselves for re-election.

i) Tan Sri Dato' Kamaruzzaman bin Shariff

ii) Dr. Ng Tek Che

B. DIRECTORS' REMUNERATION

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

	Executive Directors	Non-Executive Directors	Total
*Fees (RM)	36,000	72,000	108,000
Salaries and Other Emoluments (RM)	703,004	–	703,004

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

The number of Directors whose total remuneration falls within the following bands:

	Executive Director	Non-Executive Director
Below RM50,000	1	3
RM50,001 - RM100,000	–	–
RM100,001 - RM150,000	–	–
RM150,001 - RM200,000	1	–
RM200,001 - RM250,000	1	–
RM250,001 - RM300,000	1	–

Details of the Directors' remuneration are set out in applicable bands of RM50,000 which comply with Main Market Listing Requirements. Whilst the Code prescribed for individual disclosure of directors' remuneration packages, the Board is of the view that the transparency and accountability aspects of the Corporate Governance in respect of the Directors' remuneration has been reasonably dealt with by the 'band disclosure' presented above.

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.

The Company's Annual General Meeting provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. At the Annual General Meeting, shareholders are encouraged to question resolutions proposed or to seek more information on the Group's business operations in general. The Chairman and the other members of the Board together with the Company's auditors will be in attendance to provide explanations to all shareholders' queries.

Apart from the above and the mandatory announcement to Bursa Securities of the Company's financial results and corporate developments, the Company maintains a corporate website (www.metronic-group.com) to allow public access to the Group's information, business activities and latest developments, as well as to provide feedback.

D. ACCOUNTABILITY AND AUDIT

1) Financial Reporting

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

The Board takes due care and responsibility for presenting a balanced and understandable assessment of the Group's financial performance and prospects in respect of all quarterly results, annual financial statements and announcements issued by the Company. The Board is assisted by the Audit Committee to scrutinise information for disclosure to ensure its timeliness, accuracy, adequacy and compliance to the appropriate accounting standards.

2) Internal Control

The Statement on Internal Control set out on pages 31 to 32 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 year.

4) Directors' 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 Group and their results and cash flows for that year.

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

a) use appropriate accounting policies and consistently apply them;

b) make judgments and estimates that are reasonable and prudent;

c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d) prepare the financial statements on a going concern basis.

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

The Directors are satisfied that in preparing the financial statements of the Company and Group for the year ended 31 December 2009, the Company and Group have used the appropriate accounting policies and applied them consistently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

E. OTHER INFORMATION

The following information provided is in respect of the financial year ended 31 December 2009.

Utilisation of Proceeds

During the financial year, there were no proceeds raised from any corporate proposal.

Share Buybacks

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

Options, Warrants or Convertible Securities

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

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

During the financial year, 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 during the financial year.

Non-audit Fees

There were no non-audit fees paid or payable to the external auditors by the Group in respect of the financial year ended 31 December 2009.

Variation in Results

There is no material variance between the audited results and the previously announced unaudited results for the financial year ended 31 December 2009.

Profit Guarantees

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

Material Contracts

There were no material contracts involving the interest of the Directors and major shareholders of the Company other than as disclosed in the Related Party Transactions in Note 33 to the Financial Statements.

Contract Relating to Loans

There were no contracts relating to loans by the Company.

Revaluation of Landed Properties

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

Corporate Social Responsibility

The Group recognises the importance of Corporate Social Responsibility. The Group does not have a formal corporate social responsibility programme but is bonded together by strong belief and corporate philosophy to be a caring company, and has continually engaged in activities in the following areas:

(i) Safety and Health

The Group is committed to provide a safe and healthy working environment for employees in the Group under the requirements of ISO. Internal audit is being carried out periodically to ensure continuous adherence to all safety measures is being observed.

(ii) Skill Development

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

(iii) Workers' Welfare

The Group is a multi-racial organisation. To promote closer working relationship and foster better understanding among the multi-racial employees, the Group organised family day whereby the staff get to know each other better outside the workplace which can greatly enhance their workplace relationship. The Group also provided opportunities for the employees from different departments and levels to interact, integrate and develop teamwork through sport activities such as bowling, badminton and yoga.

(iv) Caring for the Communities

The Group also provided assistance in cash and in kind towards charitable causes in the year under review, including contribution to the campaign launched by the State Government of Penang to eradicate hardcore poverty in Penang as well as the mobile clinic project run by Lions Club of Serdang to provide basic health screening for the residents in rural areas. In addition, the Group also made a cash contribution to a secondary school's building fund.

(v) The Environment

The Group recognises the importance of environmental conservation. The Group has adopted eco-friendly practices in its day-to-day work in order to minimise the impact on the environment. For example, waste and construction debris were disposed at approved dumpsites. Staff and clients are encouraged to fully maximise the benefits of ICT (e.g. email, instant messaging etc) for communications. The Group has also implemented the recycling of used papers and promoting good practices on energy saving by switching off unused equipments and lightings via Intelligent Building Management System.

Recurrent Related Parties Transactions

The Shareholders' of MGB had at the Sixth (6th) Annual General Meeting held on 30 June 2009 granted their approval on the Shareholders' Mandate for recurrent related party transactions ("RRPTs") for MGB and its subsidiaries ("MGB Group") to enter into recurrent transactions of a revenue or trading nature, which are necessary for the day-to-day operations and in the ordinary course of business of the MGB Group, on terms not more favourable to the Related Parties than those generally available to the public, as set out in the Circular to Shareholders dated 8 June 2009.

For the financial year ended 31 December 2009, the aggregate value of transactions conducted are as follows:

Companies within the MGB Group	Transacting Parties	Nature of Transactions	Related Parties	Nature of relationship	Aggregate Value of Transaction from January 2009 to December 2009 (RM)
(i) Metronic Engineering Sdn Bhd ("MESB")	Metronic Corporation Sdn Bhd ("MCSB")	Rental of office space to MCSB on a monthly basis	Dato' Abd. Gani bin Yusof Dr. Ng Tek Che Liew Chiap Hong	Note (a)	12,000
(ii) MESB	ITG Worldwide (M) Sdn Bhd ("ITG")	Rental of office space to ITG on a monthly basis	Liew Chiap Hong	Note (b)	12,000
(iii) MESB	MH Projects Sdn Bhd ("MHP")	Contract and maintenance revenue receivable from MHP in respect of e-project management of mechanical and electrical services and supply of medical and non-medical equipment	Tan Sri Dato' Kamaruzzaman bin Shariff Dato' Abd. Gani bin Yusof	Note (c)	330
(iv) MESB	ER Mekatron Manufacturing Sdn Bhd ("ERM")	Subcontractor fee payable to ERM in respect of supply of equipment and installation services	Edmund Chuah Choong Eng Huat ("Edmund Chuah")	Note (d)	178,775
(v) MESB	ERM	Contract and maintenance revenue receivable from ERM in respect of supply of equipment and installation services	Edmund Chuah	Note (d)	11,000
(vi) MESB	Ledtronics Sdn Bhd ("Ledtronics")	Subcontractor fee payable to Ledtronics in respect of supply of equipment and installation services	Datuk Subhi bin Hj Dziyauddin	Note (e)	85,798

Notes:

(a) Dato' Abd. Gani bin Yusof, Dr. Ng Tek Che and Liew Chiap Hong who are Directors of MGB, are also directors and shareholders of MCSB, with shareholdings of 58%, 22% and 20% respectively.

(b) Liew Chiap Hong, who is a Director of MGB, is also a director of ITG with a shareholding of 51%.

(c) Tan Sri Dato' Kamaruzzaman bin Shariff and Dato' Abd. Gani bin Yusof, who are Directors of MGB, were directors of MHP until 15 November 2009 and 30 November 2009 respectively, and a family member of Dato' Abd Gani bin Yusoff is a director of MHP.

(d) Edmund Chuah Choong Eng Huat, who is a Director of MGB, is also a Director of ERM with a direct equity interest of 50% and an indirect equity interest of 50% by virtue of his spouse's interest in ERM.

(e) Datuk Subhi bin Hj Dziyauddin is a Director of MGB, and was also a director of this Company until 20 July 2009.

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

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

A. MEMBERS

The Members of the Audit Committee during the financial year ended 31 December 2009 are as follows:

Members	Designation
Lim Tzeh Foong (Chairman)	Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director
Amirudin bin Mohd Baria	Independent Non-Executive Director

B. TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:-

1) Composition

The Audit Committee shall be appointed by the Board from amongst their members and shall comprise at least three directors, all of whom must be non-executive directors, with a majority of them being independent directors. The Chairman who shall be elected from amongst members of the Committee shall be an independent non-executive director. The Board shall at all times ensure that the Audit Committee should be financially literate and at least one member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA"). If he is not a member of MIA, he must fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

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

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

The Board will review the terms of office and the performance of the Committee and its members at least once every 3 years. The last review was performed on 28 November 2007.

2) Objective

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

i) Review the adequacy and integrity of the Group's internal control systems, management information system including system of compliance with applicable laws, regulations, rules, directives and guidelines.

ii) Ensure that the risk management framework to manage material risk is in place and adhered to.

iii) Oversee financial reporting and evaluate the internal and external audit processes.

3) Authority

The Committee is authorised to investigate any matter within its terms of reference with full and unrestricted access to both internal and external auditors and all the Group's records, properties and personnel.

The Committee is authorised and shall be entitled to obtain independent professional or other advices 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 statements prior to presentation to the Board for approval. Additional meetings may be called as and when necessary at the discretion of the Chairman of the Committee.

In order to form a quorum the majority of members present must be independent non-executive directors.

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

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.

5) **Duties and Responsibilities**

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

i) Review with the external auditors, the audit scope and plan, including any changes to the audit plan and scope.

ii) Review the adequacy of the internal audit scope and plan, as well as the functions, competency and resource of the internal audit function and that it has the necessary authority to carry out its work.

iii) Review the external and internal audit reports to ensure that appropriate and prompt remedial actions are taken by the management on major deficiencies in controls or procedures that are identified.

iv) Review the major audit findings and the management's responses during the year with management, internal and external auditors, including the status of previous audit recommendations.

v) Review the assistance given by the Group's employees to both the internal and external auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

vi) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.

vii) Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.

viii) Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal or external auditor's evaluation of the said systems.

ix) Direct and where appropriate monitor any special projects or investigation considered necessary, and review investigation report on any major defalcations, frauds and thefts.

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 organisational compliance with statutory and Listing Requirements of Bursa Securities and other legislative and reporting requirements.

xiii) Any other activities, as authorised by the Board.

C. SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

During the financial year ended 31 December 2009, the Audit Committee convened five (5) meetings. Details of the attendance of the committee members are as follows:

Members	No. of meetings attended
Lim Tzeh Foong	5/5
Datuk Subhi bin Hj Dziyauddin	4/5
Amirudin bin Mohd Baria	4/5

The meetings were appropriately structured through the use of agendas and meeting 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 year under review:

i) Reviewed unaudited quarterly financial results of the Company including the announcements pertaining thereto prior to submission to the Board for consideration and approval.

ii) Reviewed the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008 and issues arising from the audit thereof prior to submission to the Board for consideration and approval.

iii) Reviewed the audit plan presented by the external auditors prior to their annual audit as to their scope of work and strategy.

iv) Reviewed matters arising from the audit of the Group in a meeting with the External Auditors without the presence of any executive officer of the Group;

v) Reviewed the annual audit plan prepared by the internal auditors to ensure adequate scope and coverage on their activities.

vi) Reviewed internal audit report prepared by the internal auditors especially with regards to issues raised, recommendations made and management's response to their recommendations.

vii) Reviewed the risk assessment reports prepared by the internal auditors and the recommendations made.

viii) Reviewed the recurrent related party transactions of a revenue nature or trading nature within the Group for inclusion in the circular to the shareholders in relation to the proposed renewal of the shareholders' mandate for recurrent transactions pursuant to Listing Requirements of Bursa Securities for the Board's approval.

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

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

xi) Reviewed the Audit Committee Report, Statement on Internal Control and Statement of Corporate Governance and its recommendations to the Board for inclusion in the Annual Report.

D. INTERNAL AUDIT FUNCTION

The Group has appointed an external consulting company to undertake the internal audit function.

The role and responsibilities of the internal audit function are as follows:

i) To undertake independent and regular reviews of the system of internal controls and give assurance that such system continues to operate satisfactorily and effectively.

ii) To review the risk identification and evaluation process and ensure controls implemented by the management are consistent with the 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 was approved by the Audit Committee and the Board.

The total costs incurred for the internal audit function was RM55,927 for the financial year 2009.

The Board of Directors of Metronic Global Berhad ("the Board") is pleased to provide the following Statement on Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Statement on Internal Control below outlines the nature and scope of internal controls of Metronic Global Berhad and its subsidiaries ("the Group") during the financial year ended 31 December 2009.

1. **Board's Responsibility**

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

   Notwithstanding, as with any internal control system, the Group's System is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. Accordingly, the System can only provide reasonable but not absolute assurance against material misstatement and loss.

   For associated companies, their systems of internal controls are managed by the management of those companies, and therefore are not covered by this Statement on Internal Control.

2. **Risk Management Framework**

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

   A formal risk management framework has been in place since 2008 to ensure that structured and consistent approaches and methods are practised in the on-going process of identifying, assessing, managing and monitoring the principal risks that affect the attainment of the Group's business objectives and goals across the Group. The Board is supported by the Risk Management Committee ("RMC") headed by the GMD, and comprises members from amongst the senior management. The RMC undertakes the responsibilities of overseeing the formulation of an effective and efficient risk management framework and policies for the Group of which the key element is to ensure correct balancing of risk and control.

   The RMC meets regularly to carry out risk evaluation on capital and non capital expenditures, business ventures into new areas of business, acquisition and disposal of investment inside and outside Malaysia, and transactions which carry exceptional items, conditions or obligations including contingent obligations. The RMC then advises the Board on risk related issues and recommend strategies, policies and risks tolerance level for the Board's approval.

3. **Internal Audit Function**

   The internal audit function is outsourced to an external consultant who was engaged as the Group's internal auditors since 2008. The internal auditors adopt a risk-based approach and prepare the audit plan based on the risk profile of the Group. The internal auditors provide independent reviews on risk management and control processes implemented by the management and report to the Audit Committee which reviews the adequacy, integrity and effectiveness of the system of internal control.

   The findings of internal audit were communicated to the management of the Group and the Audit Committee. The Audit Committee reviewed the reports from internal auditors and responses from the management before reporting the findings and making recommendations to the Board in strengthening the system of internal control.

4. Other Internal Control Processes

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

i) There is an organisation structure with well-defined reporting lines of responsibility and accountability and delegation of authority.

ii) Documented policies and procedures are updated regularly to reflect changing operational risks. The Board approves appropriate responses or amendments in the Group's policies.

iii) The Audit Committee comprises three (3) Independent Non-Executive Directors. The Audit Committee was established with a view to assist and to provide the Board with added focus in discharging its duties.

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

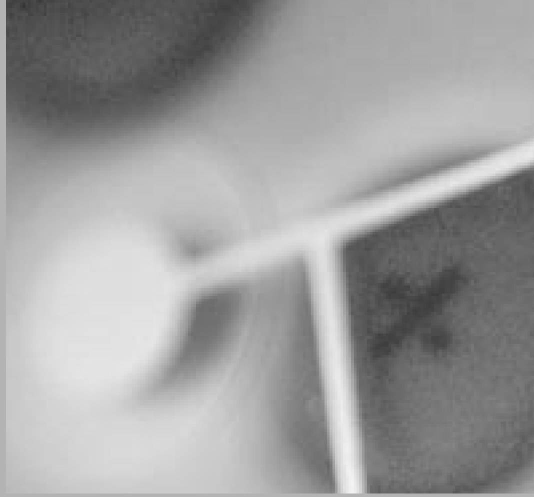
v) There are regular management meetings attended by executive directors to discuss and report on operational performance, business strategy, key operating statistics, legal and regulatory matters of each business unit.

vi) An annual budgeting process is in place where each business unit is required to prepare its operating budget for the forthcoming year. The budgets are reviewed by the management and approved by the Board. Actual performance compared with the budget is prepared and reviewed by the management during the monthly management meeting.

vii) The Group's principal operating subsidiary, Metronic Engineering Sdn Bhd is ISO 9001:2000 accredited. Its employees are guided by the Quality Manual where standard operating procedures are to be followed. In addition to the periodic external ISO audit, internal audit is carried out on semi-annual basis where the findings or issues are documented and deliberated by the management team in the management review meetings.

5. Conclusion

There was no material or significant breakdown or weakness in the system of internal control of the Group that resulted in material losses or contingencies for the year under review. The Board and the management will continually review and improve the existing risk management processes and internal control system to ensure their adequacy and effectiveness in the dynamic business environment.



Directors' Report and Audited Financial Statements

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; supply of engineering systems and engineering equipment; and provision of online administration services for the healthcare sector.

During the financial year, the Company acquired a new subsidiary, namely IPanel Malaysia Sdn. Bhd., and incorporated a new wholly owned foreign subsidiary, namely, Anhui Lai'An Metronic Water Supply Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed above.

RESULTS

	Group RM	Company RM
(Loss)/profit for the year	(1,538,560)	1,956,911
Equity holders of the Company	(2,085,998)	1,956,911
Minority interests	547,438	–
	(1,538,560)	1,956,911

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

There were no dividends paid by the Company since 31 December 2008.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2009.

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
Datuk Subhi bin Hj Dziyauddin
Dr Ng Tek Che
Liew Chiap Hong
Lim Tzeh Foong
Amirudin bin Mohd Baria
Edmund Chuah Choong Eng Huat

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee as shown in Note 9(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest required to be disclosed by Section 169 (8) of the Companies Act, 1965, other than as disclosed in Note 33 to the financial statements.

DIRECTORS' INTERESTS

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

	Ordinary shares of RM0.10 each			
	As at 1.1.2009	**Bought During the year**	**Sold During the year**	**As at 31.12.2009**
Direct Interest:				
Dato' Abd. Gani bin Yusof	166,767,324	–	–	166,767,324
Dr Ng Tek Che	59,189,175	–	–	59,189,175
Liew Chiap Hong	47,903,459	–	(7,000,000)	40,903,459
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	–	–	3,714,285
Edmund Chuah Choong Eng Huat	185,714	–	–	185,714
Indirect Interest:				
Dato' Abd. Gani bin Yusof	1,034	–	–	1,034
Dr Ng Tek Che	1,034	–	–	1,034
Liew Chiap Hong	1,034	–	–	1,034
Edmund Chuah Choong Eng Huat	558,999	–	(428,972)	130,027

By virtue of their interests in the shares of the Company, the directors 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 in office at 31 December 2009 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

OTHER INFORMATION STATUTORY

(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 provisions for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

  (i) the amount written off for bad debts or the amount of the provisions for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

OTHER INFORMATION STATUTORY (cont'd)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

  (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent 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 year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(g) The Board of Directors would like to draw attention to Note 23(A) to the financial statements. Included in Trade Receivables of the Group as at 31 December 2009 were long outstanding receivables due from a related party and certain group of debtors totalling RM48,969,751 (2008: RM39,124,152). Included in the debtors' balances are also the retention sums on contracts of RM11,079,919 which is due upon the expiry of warranty period during the year. The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired during the year and that there are no further defects to be made good. The Group has also obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payments from the relevant authorities. The Board of Directors has assessed the carrying value of these receivables and based on the current available information, is of the opinion that no provision for doubtful debts is required as at 31 December 2009.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 36 to the financial statements.

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 dated 29 April 2010.

Dato' Abd. Gani bin Yusof **Dr Ng Tek Che**

Selangor Darul Ehsan

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Abd. Gani bin Yusof and Dr Ng Tek Che, 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 40 to 91 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2010.

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Dr Ng Tek Che, being the director primarily responsible for the financial management of Metronic Global Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 91 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 Dr Ng Tek Che
at Petaling Jaya, Selangor Darul Ehsan
on 29 April 2010

Dr Ng Tek Che

Before me,

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Metronic Global Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 91.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2009 and of their financial performances and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 23(A) to the financial statements which describes the long outstanding receivables due from a related party and certain group of debtors totalling RM48,969,751 as at 31 December 2009. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

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

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and for those subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 2844/02/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2010

Income Statements

for the year ended 31 December 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	5	**59,512,692**	51,661,975	**2,681,242**	–
Cost of sales	6	**(41,408,918)**	(39,451,796)	**–**	–
Gross profit		**18,103,774**	12,210,179	**2,681,242**	–
Other income	7	**4,025,746**	540,610	**4,093,113**	40,086
Administration expenses		**(4,288,725)**	(4,361,040)	**(727,258)**	(693,419)
Other operating expenses		**(16,438,033)**	(18,245,164)	**(4,090,186)**	(4,817,727)
Profit/(loss) from operations		**1,402,762**	(9,855,415)	**1,956,911**	(5,471,060)
Finance costs	8	**(549,350)**	(702,761)	**–**	–
Share of (loss)/profit of associates		**(1,768,599)**	2,591,693	**–**	–
(Loss)/profit before taxation	9	**(915,187)**	(7,966,483)	**1,956,911**	(5,471,060)
Income tax expense	10	**(623,373)**	656,572	**–**	–
(Loss)/profit for the year		**(1,538,560)**	(7,309,911)	**1,956,911**	(5,471,060)
Attributable to:					
Equity holders of the Company		**(2,085,998)**	(7,260,285)	**1,956,911**	(5,471,060)
Minority interests		**547,438**	(49,626)	**–**	–
		(1,538,560)	(7,309,911)	**1,956,911**	(5,471,060)
Earnings per share (sen):					
Basic (loss)	11	**(0.33)**	(1.14)		
Diluted (loss)	11	**(0.33)**	(1.14)		

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

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Assets					
Non-current assets					
Property, plant and equipment	13	**10,903,771**	10,960,540	**–**	–
Investment properties	14	**383,949**	389,216	**–**	–
Intangible assets	15	**2,037,560**	2,893,809	**–**	–
Prepaid lease payment	16	**499,017**	–	**–**	–
Investment in subsidiaries	17	**–**	–	**26,169,235**	24,520,900
Investment in associates	18	**17,086,078**	27,924,116	**15,668,416**	21,514,409
Investment in jointly controlled entity	19	**–**	–	**220,850**	220,850
Other investments	20	**9,197,401**	409,482	**8,699,198**	–
Deferred tax assets	21	**2,854,937**	2,435,376	**–**	–
		42,962,713	45,012,539	**50,757,699**	46,256,159
Current assets					
Inventories	22	**1,452,448**	2,112,637	**–**	–
Trade receivables	23	**90,519,038**	86,211,184	**–**	–
Other receivables	23	**1,509,468**	3,350,325	**14,994,799**	19,477,677
Short term deposits	25	**8,805,586**	8,173,491	**1,726,483**	1,103,083
Cash and bank balances	26	**7,216,058**	2,791,213	**111,459**	199,445
		109,502,598	102,638,850	**16,832,741**	20,780,205
Total assets		**152,465,311**	147,651,389	**67,590,440**	67,036,364
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	27	**63,490,690**	63,490,690	**63,490,690**	63,490,690
Foreign currency translation reserve	28	**1,602,959**	1,879,609	**–**	–
Retained profits/ (accumulated loss)	29	**7,746,581**	9,832,579	**992,115**	(964,796)
		72,840,230	75,202,878	**64,482,805**	62,525,894
Minority interests		**1,223,081**	727,691	**–**	–
Total equity		**74,063,311**	75,930,569	**64,482,805**	62,525,894
Non-current liabilities					
Hire purchase payables	30	**54,446**	66,345	**–**	–
		54,446	66,345	**–**	–
Current liabilities					
Trade payables	31	**52,270,739**	45,374,457	**–**	–
Other payables	31	**14,782,814**	13,549,841	**3,107,635**	4,510,470
Bank borrowings	32	**10,700,201**	12,610,782	**–**	–
Provision for taxation		**593,800**	119,395	**–**	–
		78,347,554	71,654,475	**3,107,635**	4,510,470
Total liabilities		**78,402,000**	71,720,820	**3,107,635**	4,510,470
Total equity and liabilities		**152,465,311**	147,651,389	**67,590,440**	67,036,364

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

Statements of Changes in Equity

for the year ended 31 December 2009

	Attributable to equity holders of the parent					
			Distributable reserve			
	Share capital RM	Foreign currency translation reserve RM	Retained profits RM	Total RM	Minority interests RM	Total equity RM
Group						
At 1 January 2008	63,490,690	143,993	17,092,864	80,727,547	820,375	81,547,922
Currency translation differences	–	1,735,616	–	1,735,616	19	1,735,635
Acquisition and subscription of shares in subsidiaries by minority shareholders	–	–	–	–	1,093	1,093
Disposal of a subsidiary (Note 19)	–	–	–	–	(44,170)	(44,170)
Net loss for the year	–	–	(7,260,285)	(7,260,285)	(49,626)	(7,309,911)
At 31 December 2008	63,490,690	1,879,609	9,832,579	75,202,878	727,691	75,930,569
At 1 January 2009	**63,490,690**	**1,879,609**	**9,832,579**	**75,202,878**	**727,691**	**75,930,569**
Currency translation differences	**–**	**(276,650)**	**–**	**(276,650)**	**–**	**(276,650)**
Disposal of a subsidiary (Note 17(c))	**–**	**–**	**–**	**–**	**(52,048)**	**(52,048)**
Net (loss)/profit for the year	**–**	**–**	**(2,085,998)**	**(2,085,998)**	**547,438**	**(1,538,560)**
At 31 December 2009	**63,490,690**	**1,602,959**	**7,746,581**	**72,840,230**	**1,223,081**	**74,063,311**

		Distributable reserve	
	Share capital RM	(Accumulated loss)/retained profits RM	Total Equity RM
Company			
At 1 January 2008	63,490,690	4,506,264	67,996,954
Net loss for the year	–	(5,471,060)	(5,471,060)
At 31 December 2008	63,490,690	(964,796)	62,525,894
At 1 January 2009	**63,490,690**	**(964,796)**	**62,525,894**
Net profit for the year	**–**	**1,956,911**	**1,956,911**
At 31 December 2009	**63,490,690**	**992,115**	**64,482,805**

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

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Cash flows from operating activities				
(Loss)/profit before taxation	**(915,187)**	(7,966,483)	**1,956,911**	(5,471,060)
Adjustments for:				
Gain on disposal of property, plant and equipment (Note 9(a))	**(52,182)**	(347)	**–**	–
Gain on disposal of quoted securities (Note 9(a))	**–**	(94,748)	**–**	–
(Gain)/loss on disposal of a subsidiary (Note 9(a))	**(3,729)**	–	**80,700**	–
Gain on disposal of an associate (Note 9(a))	**(2,473,868)**	–	**(2,853,205)**	–
Unrealised foreign exchange losses/ (gains) (Note 9(a))	**76,401**	(415,594)	**–**	10,650
Depreciation of property, plant and equipment (Note 9(a))	**558,524**	614,075	**–**	–
Write-off of property, plant and equipment	**200**	–	**–**	–
Depreciation of investment properties (Note 9(a))	**5,267**	5,267	**–**	–
Amortisation of intangible assets (Note 9(a))	**938,709**	975,658	**–**	–
Amortisation of prepaid lease payment (Note 9(a))	**13,277**	–	**–**	–
Write-off of intangible assets (Note 9(a))	**1,057,453**	254,975	**–**	–
Provision for doubtful debts (Note 9(a))	**1,699,321**	3,811,172	**–**	–
Write back of provision for doubtful debts (Note 9(a))	**–**	(568,809)	**–**	–
Bad debt written off	**–**	–	**140,568**	–
(Reversal of impairment loss)/Impairment loss on quoted securities (Note 9(a))	**(88,721)**	230,002	**–**	–
Impairment loss on other investment (Note 9(a))	**144,897**	–	**144,897**	–
Impairment loss of investment in subsidiaries (Note 9(a))	**–**	–	**2,180,176**	4,751,375
Provision for defect liabilities (Note 9(a))	**956,617**	973,689	**–**	–
Write-down of inventories (Note 9(a))	**294,343**	2,204,626	**–**	–
Share of loss/(profit) of associates	**1,768,599**	(2,591,693)	**–**	–
Finance costs (Note 8)	**549,350**	702,761	**–**	–
Interest income (Note 7)	**(200,142)**	(296,922)	**(39,908)**	(40,086)
Operating profit/(loss) before working capital changes	**4,329,129**	(2,162,371)	**1,610,139**	(749,121)
Changes in working capital:				
Inventories	**364,318**	87,645	**–**	–
Receivables	**(4,859,095)**	8,019,854	**4,342,311**	1,186,794
Payables	**9,824,815**	(6,908,872)	**(1,402,835)**	(359,800)
Net cash generated from/(used in) operations	**9,659,167**	(963,744)	**4,549,615**	77,873
Taxes refunded/(paid)	**102,642**	(582,941)	**–**	–
Interests paid	**(549,350)**	(702,761)	**–**	–
Interests received	**200,142**	296,922	**39,908**	40,086
Net cash generated from/(used in) operating activities	**9,412,601**	(1,952,524)	**4,589,523**	117,959

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note 17 ((a)(i) and (ii)/ Note 17(b)(i))	**(1,055,103)**	–	**(3,341,708)**	(58)
Disposal of a subsidiary, net of cash disposed (Note 17(c))	**(53,837)**	–	**81,800**	–
Subscription of additional shares in subsidiaries (Notes 17(a)(iii) and (iv)/Note 17(b)(ii) and (iii))	**–**	–	**(649,304)**	(202,537)
Subscription of shares in subsidiaries by minority shareholders	**–**	1,093	**–**	–
Purchase of other investment (Note 20)	**(144,897)**	–	**(144,897)**	–
Purchase of property, plant and equipment (Note 13)	**(566,761)**	(266,001)	**–**	–
Purchase of intangible assets (Note 15)	**(82,460)**	(413,500)	**–**	–
Prepaid lease payment (Note 16)	**(511,945)**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**54,539**	8,043	**–**	–
Proceeds from disposal of marketable securities	**–**	129,748	**–**	–
Net cash used in investing activities	**(2,360,464)**	(540,617)	**(4,054,109)**	(202,595)
Cash flows from financing activities				
Withdrawal/(placement) of fixed deposits under lien with licensed banks	**596,595**	(802,934)	**(623,400)**	(39,354)
Repayment of bankers' acceptances	**(12,639,991)**	(16,810,594)	**–**	–
Drawdown of bankers' acceptances	**14,779,982**	15,866,507	**–**	–
Drawdown of short term loans	**–**	6,550,771	**–**	–
Repayment of short term loans	**(5,929,020)**	(621,752)	**–**	–
Repayment of hire purchase payables	**(11,899)**	(17,455)	**–**	–
Net cash (used in)/generated from financing activities	**(3,204,333)**	4,164,543	**(623,400)**	(39,354)
Net increase/(decrease) in cash and cash equivalents	**3,847,804**	1,671,402	**(87,986)**	(123,990)
Effects of foreign exchange rate changes	**(72,717)**	(134,329)	**–**	–
Cash and cash equivalents at beginning of the year	**931,543**	(605,530)	**199,445**	323,435
Cash and cash equivalents at end of the year (Note 26)	**4,706,630**	931,543	**111,459**	199,445
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	**7,216,058**	2,791,213	**111,459**	199,445
Fixed deposits with licensed banks	**1,228,690**	–	**–**	–
Bank overdraft (Note 32)	**(3,738,118)**	(1,859,670)	**–**	–
	4,706,630	931,543	**111,459**	199,445

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at No.4, 2nd floor, Jalan 3/27F, Desa Setapak, Wangsa Maju 53300 Kuala Lumpur. The principal place of business is located at No.2, Jalan Astaka U8/83, Section U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; supply of engineering systems and engineering equipment; and provision of online administration services for the healthcare sector.

During the financial year, the Company acquired a new subsidiary, namely IPanel (M) Sdn. Bhd., and incorporated a new wholly owned foreign subsidiary, namely, Anhui Lai'An Metronic Water Supply Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed above.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

The financial statements of the Group and Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial year.

The financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company.

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are those entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealised gains and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of acquisition to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit and loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Associates (cont'd)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the line-by-line reporting format for the proportionate consolidation by referring to the last audited financial statements available and management financial statements.

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

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but it is reviewed for impairment annually or more frequently whenever there is an indication that the carrying value may be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Computer software acquired separately are measured on initial recognition at cost. Following the initial recognition, these assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Computer software is amortised at an annual rate of 20% on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life.

(iii) Research and development costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which do not meet these criteria are expensed when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Intangible assets (cont'd)

(iii) Research and development costs (cont'd)

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

Subsequent expenditure on capitalised intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(e) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h).

Depreciation on other property, plant and equipment is provided on a straight line basis to write off the cost of each assets to its residual value over the estimated useful life at the following annual rates:

Freehold buildings	2%
Renovations	4%
Motor vehicles	20%
Furniture, fittings and equipment	20 - 33%

Leasehold building is depreciated over the estimated useful life of 50 years or over the remaining leasehold land tenure, whichever is shorter.

Freehold land is not depreciated.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost which is determined on a weighted average basis, includes cost of building automation equipment and parts and other direct cost in bringing the equipment to its present location. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(g) Engineering contracts

Where the outcome of an engineering contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of the value of work certified to date to the estimated total contract value.

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

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

When the total costs incurred on engineering contracts, plus recognised profits (less recognised losses), exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is classified as amount due to customers on contracts.

(h) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its assets other than engineering contract assets, inventories and deferred tax 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.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase in the asset revaluation reserve.

(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. 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.

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 as income or an expense and included in profit or loss for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(j) Foreign currencies (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operations as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(k) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would not otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(p)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(k) Leases (cont'd)

(ii) Finance leases - the Group as lessee

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. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss 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 in accordance with that for depreciable property, plant and equipment as described in Note 2.2(e).

(iii) Operating leases - the Group as lessee

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(l) Provisions

Provisions 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.

Provision for defect liability is provided by reference to the stage of completion of contract activity at balance sheet date, based on the performance bond amount or a fixed rate of the contract value as stipulated in the contract. The defect liability period of one to three years is specified in the contracts.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(n) 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 2.2(g).

(ii) Maintenance and services

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

(iii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iv) Administration and consultancy services

Revenue from administration and consultancy services are recognised when services are rendered.

Revenue arising from third party administration services charged to insurance companies and corporate clients are billed annually or quarterly in advance based on membership at the time of renewal. Amounts billed in advance at each balance sheet date are carried forward to future periods as deferred revenue and recognised as revenue in the period to which the services provided relate.

(v) Dividend income

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

(vi) Interest income

Interest income is recognised on an accrued basis using the effective yield on the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(o) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. 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) Cash and cash equivalents

For the purposes of the cash flow statements, 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.

(ii) Other non-current investments

Non-current investments other than investment in subsidiaries and investment properties are stated at cost less impairment losses.

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

(iii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Bad debts are written off when identified.

(v) 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.

(vi) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h). Freehold buildings are depreciated at a rate of 2% per annum. Freehold land has an unlimited useful life and therefore is not depreciated.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is to be carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit and loss in the year in which they arise.

3. NEW FINANCIAL REPORTING STANDARDS (FRSs), AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS

At the date of authorisation of the financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective and have not been applied by the Group and the Company are as follows:

		Effective for financial periods beginning on or after
FRS 1	: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	: Business Combinations (revised)	1 July 2010
FRS 4	: Insurance Contracts	1 January 2010
FRS 7	: Financial Instruments: Disclosures	1 January 2010
FRS 8	: Operating Segments	1 July 2009
FRS 101	: Presentation of Financial Statements (revised)	1 January 2010
FRS 123	: Borrowing Costs	1 January 2010
FRS 127	: Consolidated and Separate Financial Statements (amended)	1 July 2010
FRS 139	: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	: First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	: Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 5	: Non-current Assets Held for Sale and Discontinued operations	1 July 2010
Amendments to FRS 7	: Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 8	: Operating Segments	1 January 2010
Amendments to FRS 107	: Cash Flow Statements	1 January 2010
Amendments to FRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010

3. NEW FINANCIAL REPORTING STANDARDS (FRSs), AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS (cont'd)

		Effective for financial periods beginning on or after
Amendments to FRS 110	: Events After the Balance Sheet Date	1 January 2010
Amendments to FRS 116	: Property, Plant and Equipment	1 January 2010
Amendments to FRS 118	: Revenue	1 January 2010
Amendments to FRS 127	: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	
Amendments to FRS 132	: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134	: Interim Financial Reporting	1 January 2010
Amendments to FRS 136	: Impairment of Assets	1 January 2010
Amendments to FRS 138	: Intangible Assets	1 July 2010
Amendments to FRS 139	: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	: Service Concession Arrangements	1 July 2010
IC Interpretation 13	: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 2	: Share-based Payment	1 July 2010
Amendments to IC Interpretation 9	: Reassessment of Embedded Derivatives	1 July 2010
TR I - 3	: Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
Amendments to FRS 1	: Limited Exemption from Comparative FRS 7 Disclosures for First time Adopters	1 January 2011
Amendments to FRS 7	: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132	: Financial Instruments: Presentation	1 January 2010/ 1 March 2010

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period.

The new FRSs and Interpretations, and amendments to certain Standards and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for those described below:

FRS 139: *Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure*

The new standard *FRS 139: Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirement for presenting information about the financial instruments are in *FRS 132: Financial Instruments: Presentation* and the requirements for disclosing information about financial instruments are in *FRS 7: Financial Instruments: Disclosures.*

3. NEW FINANCIAL REPORTING STANDARDS (FRSs), AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS (cont'd)

FRS 7: Financial Instruments: Disclosures is a new standard that requires new disclosures in relation to financial instruments. The standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and the Company's exposure to risks, enhanced disclosure regarding components of the Group's and the Company's financial position and performance and possible changes to the the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and Company are exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

FRS 3: *Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)*

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

FRS 8: *Operating Segments*

FRS 8 replaces FRS 114$_{2004}$: *Segment Reporting* and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 101: *Presentation of Financial Statements (revised)*

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

There are no judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Engineering contracts

The Group recognises engineering contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion of contract costs incurred for work certified to date to the estimated total contract costs.

Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as recoverability of the contract costs. In making the judgment, the Group evaluates based on past experience and by relying on the work of specialists.

A 10% difference in the estimated total engineering contracts revenue would result in approximately 7% variance in the Group's revenue. A 10% difference in the estimated total engineering contracts would result in approximately 8% variance in the Group's cost of sales.

(ii) Impairment of development costs

During the current financial year, the Group carried out impairment tests in respect of its development costs included within intangible assets, based on a variety of estimations including the value-in-use of the CGU to which the development costs are allocated. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of development costs of the Group as at 31 December 2009 is RM1,523,937 (2008: RM2,242,395).

If management's estimated gross margin had been lower by 10%, the development costs would continue to be unimpaired. If management's estimated pre-tax discount rate applied to the discounted cash-flows had been raised by 1%, the development costs would continue to be unimpaired.

(iii) Provisions for bad and doubtful debts

In arriving at an estimate for provision for bad and doubtful debts, management has considered certain outstanding receivables aged over the normal credit period given to customers.

<u>A related party and other trade debtors</u>

The outstanding debts from a related party, as disclosed in Note 23 (A)(i), amounting to RM46,855,069 (2008: RM37,559,119), is over the normal credit period given to customers. Included in this RM46,855,069 is the retention amount of RM10,530,270 (2008: RMNil) which is due upon the expiry of the warranty period during the year. These debts are due for sub contract work completed for the related party who is the main contractor on certain federal public sector projects for the Government of Malaysia.

There are also balances due from certain group of debtors of RM2,114,682 (2008: RM1,565,033) which relate to work performed by the Group on a number of the above-mentioned projects, as disclosed in Note 23 (A)(ii). Included in this RM2,114,682 is the retention amount of RM549,649 (2008: RMNil) which is due upon the expiry of the warranty period during the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

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

(iii) Provisions for bad and doubtful debts (cont'd)

The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Board of Directors has considered that these amounts are recoverable as the Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired during the year and that there are no further defects to be made good. The Group has also obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payment from the relevant authorities. The Board of Directors has assessed the carrying value of these receivables and based on the current available information, is of the opinion that no provision for doubtful debts is required as at 31 December 2009.

Retention amounts and trade receivables

In respect of certain projects where the Group has performed works as sub-contractors, management considered the retention sums and certain trade receivables amounting to RM294,312 (2008: RM984,924) that exceeded the normal project's defect liability period recoverable as the main contractors will only issue final certificates and release the retention sums after all other sub-contractors involved in the projects resolve all the construction defects.

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

(iv) Deferred tax assets

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

(v) Impairment of investment in associates

The Group determines whether the carrying amounts of investment in associates are impaired at balance sheet date. This involves measuring the recoverable amounts which requires management to make an estimate of the expected future cash flows of the associates and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The cash flow projections reflect management's expectation of revenue growth, margins and operating costs for each associate based on past experience. The growth rates of 5% to 12% have been used to forecast the projected cash flows. The rates have been determined with regards to projected growth rates for the respective markets in which the associates are operating in. Discount rate of 7% has been applied to the respective cash flow projections.

The management's assessments have provided reasonable assumptions that the carrying amounts of investment in associates at the balance sheet date are not impaired. Based on these assessments, the Directors are of the opinion that no impairment loss is required.

(vi) Impairment assessment of investment in subsidiaries, outside Malaysia

The management of the Company determines whether the carrying amounts of its investments in unquoted shares outside Malaysia are impaired at balance sheet date. This involves measuring the recoverable amounts which include fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flow analysis and estimates that provide reasonable approximations to the computation of recoverable amounts.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

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

(vi) Impairment assessment of investment in subsidiaries, outside Malaysia (cont'd)

The cash flow projections reflect, amongst others, management's expectation of revenue, margins and operating costs for each subsidiary. A discount rate of 7% was applied to the respective cashflow projections. The revenue used in the projected cash flows for the respective investment in subsidiaries are based on the management's assessment of the expected performance of the subsidiaries taking into considerations the projects in hand and projects the subsidiaries are currently pursuing.

Based on the management's assessment, the Company has recognised an impairment loss on investment in subsidiaries amounting to RM2,180,176 for the current financial year.

(vii) Depreciation and residual values of property, plant and equipment

The cost of renovations, motor vehicles and furniture, fittings and equipment are depreciated on a straight line basis over the respective assets' useful lives. Management estimates the useful lives of these assets to be within 3 to 25 years. These reflect the historical and expected economic lives of the Group's assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. REVENUE

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Contract work	**42,181,482**	38,771,061	**–**	–
Maintenance services	**9,520,274**	8,205,861	**–**	–
Sale of equipment	**2,084,410**	2,122,621	**–**	–
Administration and consultancy services	**5,726,526**	2,562,432	**–**	–
Dividend income from an associate	**–**	–	**2,681,242**	–
	59,512,692	51,661,975	**2,681,242**	–

6. COST OF SALES

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Contract costs (Note 24)	**35,998,295**	35,605,631	**–**	–
Maintenance services	**3,665,667**	2,589,398	**–**	–
Cost of equipment sold	**1,744,956**	1,256,767	**–**	–
	41,408,918	39,451,796	**–**	–

7. OTHER INCOME

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Interest income	**200,142**	296,922	**39,908**	40,086
Gain on disposal of property, plant and equipment	**52,182**	347	**–**	–
Gain on disposal of quoted securities	**–**	94,748	**–**	–
Gain on disposal of an associate	**2,473,868**	–	**2,853,205**	–
Recovery of provision for doubtful debts	**1,017,749**	–	**–**	–
Management fee	**–**	–	**1,200,000**	–
Rental income	**24,000**	24,000	**–**	–
Interest from overdue debtors	**249,184**	111,969	**–**	–
Processing fee	**4,202**	4,904	**–**	–
Miscellaneous	**4,419**	7,720	**–**	–
	4,025,746	540,610	**4,093,113**	40,086

8. FINANCE COSTS

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Interest expense on:				
Short term borrowing	**156,548**	165,376	**–**	–
Bank overdraft	**184,090**	165,972	**–**	–
Bankers' acceptances	**204,701**	366,906	**–**	–
Hire purchase	**4,011**	4,507	**–**	–
Total interest expense	**549,350**	702,761	**–**	–

9. (LOSS)/PROFIT BEFORE TAXATION

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
(a) After charging/(crediting):				
Staff costs (Note 9(c))	**11,515,528**	10,374,550	**746,841**	–
Auditors' remuneration				
Statutory audits:				
- parent auditors	**160,000**	151,000	**68,000**	58,000
- other auditors	**79,532**	80,545	**–**	–
- under provision in prior year	**26,666**	27,400	**10,000**	10,000
Depreciation of property, plant and equipment (Note 13)	**558,524**	614,075	**–**	–
Amortisation of intangible assets (Note 15)	**938,709**	975,658	**–**	–
Write-off of intangible assets (Note 15)	**1,057,453**	254,975	**–**	–
Amortisation of prepaid lease payment (Note 16)	**13,277**	–	**–**	–
Directors' remunerations (Note 9(b))	**1,126,451**	1,155,585	**811,004**	110,000
Rental income	**(24,000)**	(24,000)	**–**	–
Rental expense	**451,310**	487,294	**12,000**	12,000
Foreign exchange losses/(gains)				
- realised	**88,821**	565,096	**–**	12,449
- unrealised	**76,401**	(415,594)	**–**	10,650
Provision for doubtful debts	**1,699,321**	3,811,172	**–**	–
(Reversal of impairment loss)/impairment loss on quoted securities (Note 20)	**(88,721)**	230,002	**–**	–

9. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
(a) After charging/(crediting): (cont'd)				
Impairment loss on other investment (Note 20)	**144,897**	–	**144,897**	–
Depreciation of investment properties (Note 14)	**5,267**	5,267	**–**	–
Provision for defect liabilities (Note 24)	**956,617**	973,689	**–**	–
Impairment loss of investment in subsidiaries (Note 17)	**–**	–	**2,180,176**	4,751,375
Write-down of inventories	**294,343**	2,204,626	**–**	–
Interest income				
- short term deposits	**(196,142)**	(290,547)	**(39,908)**	(40,086)
- loan stocks	**(4,000)**	(6,375)	**–**	–
Gain on disposal of quoted securities	**–**	(94,748)	**–**	–
Gain on disposal of property, plant and equipment	**(52,182)**	(347)	**–**	–
(Gain)/loss on disposal of a subsidiary (Note 17(c))	**(3,729)**	–	**80,700**	–
Gain on disposal of an associate (Note 18(b))	**(2,473,868)**	–	**(2,853,205)**	–
Bad debts written off	**–**	–	**140,568**	–
Recovery of provision for doubtful debts	**(1,017,749)**	–	**–**	–
Write back of provision for doubtful debts	**–**	(568,809)	**–**	–

(b) Directors' remuneration:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
(i) Executive directors' remuneration:				
Fees	**50,548**	191,562	**36,000**	36,000
Defined contribution benefit	**73,584**	83,328	**73,584**	–
Other emoluments	**930,319**	806,695	**629,420**	–
	1,054,451	1,081,585	**739,004**	36,000
Non-executive directors' remuneration:				
Fees	**72,000**	74,000	**72,000**	74,000
Total directors' remuneration	**1,126,451**	1,155,585	**811,004**	110,000

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

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
(ii) Directors of the Company Executive:				
Defined contribution benefit	**73,584**	73,584	**73,584**	–
Other emoluments	**629,420**	629,420	**629,420**	–
Fees	**36,000**	36,000	**36,000**	36,000
	739,004	739,004	**739,004**	36,000
Non-Executive:				
Fees	**72,000**	74,000	**72,000**	74,000
Total	**811,004**	813,004	**811,004**	110,000

9. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

(b) Directors' remuneration: (cont'd)

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

	Number of Directors 2009	2008
Executive directors:		
Below RM50,000	**1**	1
RM50,001 - RM100,000	**–**	–
RM100,001 - RM150,000	**–**	–
RM150,001 - RM200,000	**1**	1
RM200,001 - RM250,000	**1**	1
RM250,001 - RM300,000	**1**	1
Non-Executive directors:		
Below RM50,000	**3**	4

(c) Employee information

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Staff costs (excluding directors' emoluments):				
Salary, wages and bonus	**9,309,005**	8,159,081	**616,481**	–
Defined contribution benefit	**1,044,850**	1,035,742	**68,765**	–
Other staff related expenses	**1,161,673**	1,179,727	**61,595**	–
	11,515,528	10,374,550	**746,841**	–

10. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There were no tax for the foreign subsidiaries in China, Singapore, India and Vietnam as they were in a tax loss position for the current financial year.

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Malaysian taxation based on the results for the year:				
- Current	**1,133,800**	108,000	**–**	–
- (Over)/under provision in prior years	**(69,606)**	10,375	**–**	–
Deferred tax (Note 21)				
- Relating to origination and reversal of temporary differences	**(470,370)**	(782,935)	**–**	–
- Under/(over) provision in prior year	**29,549**	(9,722)	**–**	–
- Relating to changes in tax rates	**–**	17,710	**–**	–
	623,373	(656,572)	**–**	–

10. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax applicable to (loss)/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:

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
(Loss)/profit before taxation	**(915,187)**	(7,966,483)	**1,956,911**	(5,471,060)
Taxation at the statutory tax rate of 25% (2008: 26%)	**(228,797)**	(2,071,286)	**489,228**	(1,422,476)
Effect of different tax rate in subsidiaries	**73,376**	142,313	**–**	–
Effect of expenses not deductible for tax purposes	**1,265,689**	1,947,941	**874,336**	1,422,666
Utilisation of previously unrecognised tax losses	**(122,845)**	(67,357)	**–**	–
Utilisation of previously unrecognised unabsorbed capital allowances	**–**	(34,288)	**–**	–
Effects of share of loss/(profit) of associates	**442,150**	(673,840)	**–**	–
Effect of income not subject to tax	**(1,012,245)**	(24,824)	**(1,363,564)**	(190)
(Over)/under provision of tax expense in prior years	**(69,606)**	10,375	**–**	–
Under/(over) provision of deferred tax in prior year	**29,549**	(9,722)	**–**	–
Deferred tax assets not recognised	**246,102**	106,406	**–**	–
Effect of changes in tax rates on deferred tax	**–**	17,710	**–**	–
	623,373	(656,572)	**–**	–

11. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year as there are no potential ordinary share issues.

	2009	**2008**
Loss attributable to ordinary equity holders of the Company (RM)	**(2,085,998)**	(7,260,285)
Weighted average number of ordinary shares in issue	**634,906,903**	634,906,903
Basic/diluted loss per share (sen)	**(0.33)**	(1.14)

12. DIVIDENDS

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2009.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2009 RM
Cost							
At 1 January 2009	**1,223,566**	**4,440,919**	**4,846,721**	**323,334**	**2,686,060**	**657,024**	**14,177,624**
Additions	–	–	–	–	566,761	–	566,761
Disposals	–	–	–	(210,974)	(154,369)	–	(365,343)
Disposal of a subsidiary (Note 17)	–	–	–	(20,708)	(9,059)	–	(29,767)
Written-off	–	–	–	–	(480)	–	(480)
Reclassification	–	–	–	–	(14,499)	14,499	–
Exchange differences	–	–	(61,788)	–	2,541	(1,389)	(60,636)
At 31 December 2009	**1,223,566**	**4,440,919**	**4,784,933**	**91,652**	**3,076,955**	**670,134**	**14,288,159**
Accumulated depreciation and impairment							
At 1 January 2009	–	**433,109**	**361,667**	**229,507**	**2,066,346**	**126,455**	**3,217,084**
Depreciation charge for the year (Note 9(a))	–	92,065	98,284	38,502	295,868	33,805	558,524
Disposals	–	–	–	(210,968)	(152,018)	–	(362,986)
Disposal of a subsidiary (Note 17)	–	–	–	(15,458)	(4,709)	–	(20,167)
Written-off	–	–	–	–	(280)	–	(280)
Reclassification	–	–	–	–	(4,833)	4,833	–
Exchange differences	–	–	(7,196)	–	(405)	(186)	(7,787)
At 31 December 2009	–	**525,174**	**452,755**	**41,583**	**2,199,969**	**164,907**	**3,384,388**
Net carrying value							
As at 31 December 2009	**1,223,566**	**3,915,745**	**4,332,178**	**50,069**	**876,986**	**505,227**	**10,903,771**

The freehold land and buildings with a total net carrying value of RM5,139,311 (2008: RM5,231,376) are charged to licensed banks for banking facilities granted to the Group (Note 32 and Note 35).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM37,800 (2008 :RM83,906).

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2008 RM
Cost							
At 1 January 2008	1,223,566	4,440,919	4,297,643	323,334	2,573,374	642,817	3,501,653
Additions	–	–	27,549	–	238,452	–	266,001
Disposals	–	–	–	–	(124,539)	–	(124,539)
Exchange differences	–	–	521,529	–	(1,227)	14,207	534,509
At 31 December 2008	1,223,566	4,440,919	4,846,721	323,334	2,686,060	657,024	14,177,624
Accumulated depreciation and impairment							
At 1 January 2008	–	341,044	236,370	185,350	1,828,128	91,097	2,681,989
Depreciation charge for the year (Note 9(a))	–	92,065	90,866	44,157	353,690	33,297	614,075
Disposals	–	–	–	–	(116,843)	–	(116,843)
Exchange differences	–	–	34,431	–	1,371	2,061	37,863
At 31 December 2008	–	433,109	361,667	229,507	2,066,346	126,455	3,217,084
Net carrying value							
As at 31 December 2008	1,223,566	4,007,810	4,485,054	93,827	619,714	530,569	10,960,540

14. INVESTMENT PROPERTIES

	Freehold land RM	Freehold building RM	Leasehold building RM	Total RM
Group				
Cost				
At 1 January 2009/ At 31 December 2009	**245,909**	**179,644**	**362,979**	**788,532**
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2009	**95,909**	**35,644**	**267,763**	**399,316**
Depreciation charge (Note 9(a))	**–**	**3,000**	**2,267**	**5,267**
At 31 December 2009	**95,909**	**38,644**	**270,030**	**404,583**
Net carrying value				
At 31 December 2009	**150,000**	**141,000**	**92,949**	**383,949**

14. INVESTMENT PROPERTIES (cont'd)

	Freehold land RM	Freehold building RM	Leasehold building RM	Total RM
Group (cont'd)				
Cost				
At 1 January 2008/At 31 December 2008	245,909	179,644	362,979	788,532
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2008	95,909	32,644	265,496	394,049
Depreciation charge (Note 9(a))	–	3,000	2,267	5,267
At 31 December 2008	95,909	35,644	267,763	399,316
Net carrying value				
At 31 December 2008	150,000	144,000	95,216	389,216

There is no rental income and the expenses relating to these investment properties are not material.

The following investment properties are held under lease terms:

	Group	
	2009 RM	**2008 RM**
Leasehold building	**92,949**	95,216

All investment properties are pledged as securities for borrowings (Note 32).

15. INTANGIBLE ASSETS

Group	Software RM	Development Cost RM	Goodwill RM	Total RM
Cost				
At 1 January 2008	1,002,666	3,936,067	–	4,938,733
Additions				
- purchased	413,500	–	–	413,500
Write-off (Note 9(a))	–	(254,975)	–	(254,975)
At 31 December 2008 and 1 January 2009	**1,416,166**	**3,681,092**	**–**	**5,097,258**
Additions				
- purchased	64,700	17,760	–	82,460
- acquired subsidiary (Note 17(a))	–	–	1,057,453	1,057,453
Write off (Note9(a))	–	–	(1,057,453)	(1,057,453)
At 31 December 2009	**1,480,866**	**3,698,852**	**–**	**5,179,718**

15. INTANGIBLE ASSETS (cont'd)

Group (cont'd)	**Software RM**	**Development Cost RM**	**Goodwill RM**	**Total RM**
Accumulated Amortisation and Impairment				
At 1 January 2008	525,312	702,479	–	1,227,791
Amortisation and write-off (Note 9(a))	239,440	736,218	–	975,658
At 31 December 2008 and 1 January 2009	**764,752**	**1,438,697**	**–**	**2,203,449**
Amortisation (Note 9(a))	202,491	736,218	–	938,709
At 31 December 2009	**967,243**	**2,174,915**	**–**	**3,142,158**
Net carrying value				
As at 31 December 2009	**513,623**	**1,523,937**	**–**	**2,037,560**
As at 31 December 2008	651,414	2,242,395	–	2,893,809

(a) Development Costs

The development costs relate to the development of Power Line Communication Controller for Smart Home Automation System, BACnet (Building Automation and Control Networks) Controller, and Micares e-Infrastructure System, where it is reasonably anticipated that the costs will be recovered through future commercial activity.

The recoverable amounts of these intangible assets are determined based on value-in use calculations using cash flow projections approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	Group	
	2009 %	**2008 %**
Budgeted gross margin	**15.0 - 40.0**	15.0 - 40.0
Growth rate	**10.0 - 25.0**	10.0 - 25.0
Discount rate	**7.0**	7.0

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

(ii) Growth rate

The growth rates are determined based on management's estimate of market demand.

(iii) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the respective companies.

16. PREPAID LEASE PAYMENT

	Group	
	Leasehold Land RM	**Total RM**
Cost		
At 1 January 2009	**–**	**–**
Additions	**511,945**	**511,945**
At 31 December 2009	**511,945**	**511,945**
Accumulated Amortisation of prepaid lease payment		
At 1 January 2009	**–**	**–**
Amortisation charge (Note 9(a))	**13,277**	**13,277**
Foreign currency translation differences	**(349)**	**(349)**
At 31 December 2009	**12,928**	**12,928**
Net carrying value		
At 31 December 2009	**499,017**	**499,017**

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM	**2008 RM**
Unquoted shares, at cost		
In Malaysia,	**23,954,596**	23,021,993
Outside Malaysia	**9,146,190**	6,250,282
	33,100,786	29,272,275
Less: Accumulated impairment losses	**(6,931,551)**	(4,751,375)
	26,169,235	24,520,900

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Equity interest held 2009 %	2008 %	Principal activities
Metronic Engineering Sdn. Bhd.	Malaysia	**100**	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 engineering systems.
Metronic Integrated System Sdn. Bhd.	Malaysia	**100**	100	Procurement of contracts in relation to engineering work specialising in the field of intelligent building management system, integrated security management system, and sale of engineering equipment.

17. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation	Equity interest held 2009 %	2008 %	Principal activities
Metronic Microsystem (Beijing) Company Limited*	People's Republic of China	**100**	100	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and telecommunication system.
Metronic Engineering Private Limited*	India	**70**	70	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and integrated security management system.
Metronic iCares Sdn. Bhd.	Malaysia	**51**	51	Third Party Administrator ("TPA") and Managed Care Organisation ("MCO") for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.
Metronic Mobile Services Sdn. Bhd.	Malaysia	**100**	100	Dormant.
Metronic R&D Sdn. Bhd.	Malaysia	**100**	100	Research, development, production and marketing of building automation and security system products, modules and related parts.
Metronic Australia Private Ltd	Australia	**60**	60	Dormant.
Adprima Sdn. Bhd.	Malaysia	**–**	60	Consultancy services on management, engineering and information technology.
Securetrax Solutions Private Limited*	Singapore	**99**	99	Development, production and marketing of products relating to home land security.
Ideal Ultimate Sdn. Bhd.	Malaysia	**58**	58	Currently dormant. Intended activities are development and commercialisation of the Optical Fiber Perimeter Security System.
Metronic Vietnam Company Limited*	Vietnam	**100**	100	Design, production and sales of engineering systems for the information and communication technology industry, specialising in intelligent management system and integrated security management system.

17. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation	Equity interest held 2009 %	2008 %	Principal activities
IPanel Malaysia Sdn. Bhd.**	Malaysia	**82.5**	–	Currently dormant. Intended principal activities are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system.
Anhui Lai'An Metronic Water Supply Company Limited*	People's Republic of China	**100**	–	Design, construction, production, operation, maintenance and sale of treated water.

* Audited by firms of auditors other than Ernst & Young

** Inclusive of an indirect interest of 7.5% held via IPanel Ptd Ltd (See Note 17(a)(i)).

(a) Acquisition and incorporation of subsidiaries, and acquisition of additional interests in subsidiaries in the year ended 31 December 2009:

(i) On 6 January 2009, the Company acquired an effective equity interest of 82.5% in IPanel Malaysia Sdn Bhd ("IPM") from Goldis Berhad via the following interest:

- 750,000 ordinary shares of RM1.00 each in IPM respresenting 75% equity interest in IPM for a cash consideration of RM1,055,103; and
- 136,500 ordinary shares of S$1.00 each in IPanel Pte Ltd ("IPS") representing 30% equity interest in IPS for a cash consideration of RM144,897. IPS in turn holds 25% equity interest in IPM. This has resulted in an effective indirect interest of 7.5% in IPM. As the Company does not have board representation and significant influence over the financial and operating policies of IPS, the investment in IPS is therefore treated as other investment as disclosed in Note 20 to the financial statements.

The acquired subsidiary has contributed the following results to the Group:

	2009 RM
Revenue	**–**
Loss for the year	**(3,063)**

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	**Acquiree's carrying amount RM**
Total assets	–	–
Other Payables	(2,350)	(2,350)
Fair value of net asets	(2,350)	
Goodwill on acquisition (Note 15)	1,057,453	
Total cost of acquisition	1,055,103	

17. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Acquisition and incorporation of subsidiaries, and acquisition of additional interests in subsidiaries in the year ended 31 December 2009: (cont'd)

(i) The cash outflow on acquisition of IPM is as follows:

	2009 RM
Purchase consideration satisfied by cash	**1,055,103**
Cash and cash equivalents of the subsidiary at acquisition	**–**
Net cash outflow of the Group	**1,055,103**

(ii) On 11 March 2009, the Company incorporated a wholly owned foreign subsidiary, Anhui Lai'An Metronic Water Supply Company Limited in Lai'An Country, Anhui Province in the People's Republic of China with a registered capital of US Dollar ("US$") 3,350,000. During the financial year, the Company has invested US$645,500 (equivalent to RM2,286,605) as paid-up registered capital.

(iii) During the financial year, the Company increased its investment capital in Metronic Vietnam Company Limited ("MVCL") by US$175,000 (equivalent to RM609,304) to US$200,000.

(iv) On 16 July 2009, the Company increased its investment capital in Metronic Mobile Services Sdn Bhd ("MMSSB") by RM40,000 to RM50,000.

(b) Acquisition and incorporation of subsidiaries, and acquisition of additional interest in subsidiaries in the year ended 31 December 2008:

(i) Effective 17 December 2008, the Company holds a 58% equity interest in Ideal Ultimate Sdn Bhd ("Ideal Ultimate") via an acquisition of 1 ordinary share and subscription to 57 ordinary shares of RM1.00 each in Ideal Ultimate for a total cash consideration of RM58.

(ii) On 12 September 2008, the Company incorporated a wholly owned foreign subsidiary, Metronic Vietnam Company Limited ("MVCL") in Vietnam with a total investment capital of US Dollar ("US$") 200,000. During the financial year, the Company has invested US$24,999 (equivalent to RM88,088) as investment capital.

(iii) On 14 July 2008, Securetrax Solutions Pte Ltd ("Securetrax") increased its ordinary share capital from 450,000 to 500,000 ordinary shares via issuance of additional 50,000 ordinary shares of S$1.00 each for cash during the year. The Company subscribed to 49,500 of the said ordinary shares of S$1.00 each for a cash consideration of S$49,500 (equivalent to RM114,449), thus maintaining its 99% equity interest in Securetrax.

The effect of the above acquisitions to the financial position of the Group at the date of acquisition was not material in the financial year ended 31 December 2008. Accordingly, no disclosure on financial effects is made.

(c) Disposal of a subsidiary

On 20 August 2009, the Company disposed of 120,000 ordinary shares of Ringgit Malaysia ("RM") 1.00 each in Adprima Sdn Bhd ("Adprima") representing 60% equity interest in Adprima for a total cash consideration of RM81,800. The disposal resulted in a loss of RM80,700 to the Company and a gain of RM3,729 at the Group level during the current financial year.

17. INVESTMENT IN SUBSIDIARIES (cont'd)

(c) Disposal of a subsidiary (cont'd)

The effect of the disposal on the financial position of the Group and the Company at the date of disposal is as follow:

	Group 2009 RM	Company 2008 RM
Cost of investment in the subsidiary	**–**	162,500
Net book value of net assets	**78,071**	–
	78,071	162,500
Total disposal proceeds	**(81,800)**	(81,800)
(Gain)/loss on disposal (Note 9(a))	**(3,729)**	80,700

The assets and liabilities of a subsidiary disposed were as follow:

	Group 2009 RM
Property, plant and equipment (Note 13)	**9,600**
Deferred tax assets (Note 21)	**22,121**
Other net current assets	**98,398**
Minority interests	**(52,048)**
	78,071
Gain on disposal of subsidiary (Note 9(a))	**3,729**
Total sale consideration	**81,800**
Less : Cash and cash equivalents of subsidiary disposed	**(135,637)**
Cash outflow on disposal of the subsidiary	**(53,837)**

18. INVESTMENT IN ASSOCIATES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unquoted shares, at cost:				
In Malaysia	**–**	5,845,993	**–**	5,845,993
Outside Malaysia	**15,668,416**	15,668,416	**15,668,416**	15,668,416
	15,668,416	21,514,409	**15,668,416**	21,514,409
Share of post-acquisition reserves	**(182,477)**	4,646,700	**–**	–
Exchange differences	**1,600,139**	1,763,007	**–**	–
	17,086,078	27,924,116	**15,668,416**	21,514,409

18. INVESTMENT IN ASSOCIATES (cont'd)

Details of the associates are as follows:

Name of company	Country of incorporation	Equity interest held 2009 %	Equity interest held 2008 %	Voting power held 2009 %	Voting power held 2008 %	Principal activities
Held by the Company:						
Unilink Development Limited	Hong Kong	**25**	25	**25**	25	Investment holding.
Ariantec Sdn. Bhd.	Malaysia	**–**	40	**–**	40	Value-added provider of data network infrastructure and managed security systems and solutions.

The financial statements of the above associates are coterminous with those of the Group.

(a) The summarised financial information of the associates are as follows:

	2009 RM	2008 RM
Assets and liabilities		
Current assets	**48,678,340**	87,439,472
Non-current assets	**33,504,515**	44,255,407
Total assets	**82,182,855**	131,694,879
Current liabilities	**34,036,363**	46,340,547
Non-current liabilities	**–**	17,642,861
Total liabilities	**34,036,363**	63,983,408
Income statement		
Revenue	**155,321,650**	285,980,377
(Loss)/profit for the year	**(7,168,628)**	7,602,154

The details of goodwill included within the Group's carrying amount of investment in associates are as follows:

	Goodwill RM
Cost and net carrying amount	
At 1 January 2008	7,443,598
Exchange differences	285,585
At 31 December 2008/1 January 2009	7,729,183
Exchange differences	(96,392)
At 31 December 2009	**7,632,791**

18. INVESTMENT IN ASSOCIATES (cont'd)

(b) Disposal of an associate and acquisition of other quoted investment

In 2009, Ariantec Sdn. Bhd. ("Ariantec") has increased its ordinary share capital from 2,500,000 to 3,957,196 ordinary shares via issuance of additional 1,457,196 ordinary shares at RM1 each for cash. The Company has not subscribed for the additional shares issued during the year and as such the equity interest in Ariantec was diluted to 25.27%.

The Put Option Agreement entered in 2007 with the existing shareholder of Ariantec then ("Original Shareholders") provides the Company an option to sell the 1,000,000 ordinary shares (including new shares issued) back to the Original Shareholders for a cash consideration of RM5,800,000 in the event that the Original Shareholders do not fulfill the profit guarantee that Ariantec shall achieve an audited profit after tax of RM6,750,000 for the period from 1 July 2006 to 31 December 2008. The cost of investment in Ariantec of RM5,845,993 (which includes a transaction cost of RM45,993) was settled with a remaining outstanding balance of RM868,758 as at 31 December 2009 (2008: RM4,050,000) as disclosed in Note 31(B) to the financial statements.

On 6 March 2009, the Company entered into a Conditional Share Sale Agreement with Global Soft (MSC) Bhd (now known as Ariantec Global Berhad) ("AGB") for the disposal of 1,000,000 ordinary shares of RM1.00 each representing a 25.27% equity interest in Ariantec to be fully satisfied via the issuance of 96,657,750 new ordinary shares in AGB of RM0.10 each. Based on the issue price of RM0.10 per AGB share, the indicative disposal consideration was RM9,665,775. The disposal was later completed on 26 November 2009 and Ariantec ceased to be an associate of the Company. The final disposal consideration was RM8,666,197 based on the market price of AGB share at RM0.09 per share on the completion day. The Company became one of the substantial shareholders in AGB, holding approximately 16.99% equity interest in AGB effective from 26 November 2009. As the Company does not have board representation and significant influence over the financial and operating policy decision of AGB, the investment is therefore treated as other investment as disclosed in Note 20 to the financial statements.

The effect of the disposal on the financial position of the Group at the date of disposal is as follow:

	Group RM	Company RM
Investment in associate	–	5,845,993
Net book value of net assets	6,225,330	–
	6,225,330	5,845,993
Total sale consideration	(8,699,198)	(8,699,198)
Gain on disposal (Note 9(a))	(2,473,868)	(2,853,205)

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Company 2009 RM	2008 RM
Unquoted shares, at cost:		
Outside Malaysia	**220,850**	220,850
Less:		
Accumulated impairment losses	**–**	–
	220,850	220,850

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY (cont'd)

Name of company	Country of incorporation	Equity interest held 2009 %	2008 %	Principal activities
Metronic Saudi Arabia Limited Liability Company	Kingdom of Saudi Arabia	**50**	50	Currently dormant. Intended principal activities are design, production and sale of engineering systems for the information, communication and technology industry specialising in intelligent building management system and integrated security management system.

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

	2009 RM	2008 RM
Assets and liabilities		
Current assets	**231,500**	231,500
Non-current assets	**–**	–
Total assets	**231,500**	231,500
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Total liabilities	**–**	–
Income statement		
Revenue	**–**	–
Expenses, including finance costs and taxation	**–**	–

In the year 2008, the Company disposed 200,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each in Metronic Saudi Arabia Limited Liability Company ("MSA"), representing a 40% equity interest in MSA, for a total cash consideration of SAR200,000 (equivalent to RM176,680). The disposal was at cost with no gain no loss recognised. As a result of the disposal, MSA ceased to be a subsidiary and become a jointly controlled entity of the Company thereafter.

20. OTHER INVESTMENTS

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Quoted securities in Malaysia:				
Quoted shares, at cost	**9,758,363**	979,165	**8,699,198**	–
Irredeemable convertible unsecured loan stocks, at cost	**–**	80,000	**–**	–
Impairment loss	**(654,962)**	(743,683)	**–**	–
	9,103,401	315,482	**8,699,198**	–
Investment in unquoted shares	**144,897**	–	**144,897**	–
Golf club membership	**94,000**	94,000	**–**	–
Impairment loss	**(144,897)**	–	**(144,897)**	–
	9,197,401	409,482	**8,699,198**	–
Market value of quoted securities	**10,325,978**	504,282	**9,665,775**	–

21. DEFERRED TAX

	Company 2009 RM	Company 2008 RM
At 1 January	**2,435,376**	1,663,440
Recognised in income statement (Note 10)	**440,821**	774,947
Foreign currency translation differences	**861**	(3,011)
Disposal of subsidiary (Note 17(c))	**(22,121)**	–
At 31 December - after appropriate set off	**2,854,937**	2,435,376

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2009	**64,534**	**64,534**
Recognised in income statement	**(10,793)**	**(10,793)**
Disposal of subsidiary (Note 17(c))	**(1,517)**	**(1,517)**
Foreign currency translation differences	**185**	**185**
At 31 December 2009	**52,409**	**52,409**
At 1 January 2008	93,906	93,906
Recognised in income statement	(28,722)	(28,722)
Foreign currency translation differences	(650)	(650)
At 31 December 2008	64,534	64,534

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2009	**1,045,000**	**802,000**	**652,910**	**2,499,910**
Recognised in income statement	**119,000**	**293,000**	**18,028**	**430,028**
Disposal of subsidiary (Note 17(c))	**–**	**–**	**(23,638)**	**(23,638)**
Foreign currency translation differences	**–**	**–**	**1,046**	**1,046**
At 31 December 2009	**1,164,000**	**1,095,000**	**648,346**	**2,907,346**
At 1 January 2008	912,000	573,000	272,346	1,757,346
Recognised in income statement	133,000	229,000	384,225	746,225
Foreign currency translation differences	–	–	(3,661)	(3,661)
At 31 December 2008	1,045,000	802,000	652,910	2,499,910

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

	Group 2009 RM	Group 2008 RM
Unused tax losses	**750,090**	630,872
Unabsorbed capital allowances	**6,219**	2,180
	756,309	633,052

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Malaysia Income Tax Act, 1967 and guidelines issued by the tax authority.

22. INVENTORIES

	Group 2009 RM	Group 2008 RM
At cost		
Building automation equipment and parts	**1,452,448**	1,624,813
Raw materials	**–**	63,675
Finished goods	**–**	424,149
	1,452,448	2,112,637

23. TRADE AND OTHER RECEIVABLES

(a) Trade receivables:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade receivables	**17,144,852**	9,876,978	**–**	–
Progress billings receivable	**55,183,696**	56,972,670	**–**	–
Due from customers on contracts (Note 24)	**10,997,020**	11,955,608	**–**	–
Advances to sub-contractors	**15,303**	–	**–**	–
Retention sums on contracts (Note 24)	**16,218,123**	15,830,300	**–**	–
	99,558,994	94,635,556	**–**	–
Allowance for doubtful debts	**(9,039,956)**	(8,424,372)	**–**	–
	90,519,038	86,211,184	**–**	–

The Group's normal credit terms range from 60 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors other than:

(i) a balance due from a debtor of RM46,855,069 (2008: RM37,559,119), who is a related party as disclosed in Note 33(a), is over the normal credit period given to customers. Included in the balance due from the related party is also the retention sums on contracts of RM10,530,270 (2008: RMNil) which is due upon the expiry of warranty period during the year. These debts are due for sub-contract work completed for the related party who is the main contractor on certain federal public sector projects for the Government of Malaysia; and

(ii) a balance due from certain group of debtors of RM2,114,682 (2008: RM1,565,033) which relates to work performed by the Group on a number of the above-mentioned projects, of which the entire amount is over the normal credit period given to customers. Included in the balance due from certain group of debtors is the retention sums on contracts of RM549,649 (2008: RMNil) which is due upon the expiry of warranty period during the year.

The total exposure to the Group as a result of (i) and (ii) amounted to RM48,969,751 (2008:RM39,124,152). The Group is continously pursuing to recover the debts with the relevant authorities and the debtors. The Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired during the year and that there are no further defects to be made good. The Group has also obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payments from the relevant authorities. (See Note 31(A) for the related amounts due to sub-contractors and suppliers of the above mentioned projects).

The Board of Directors has assessed the carrying value of these receivables and based on the current available information, is of the opinion that no provision for doubtful debts is required as at 31 December 2009.

23. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Other receivables:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Due from subsidiaries	**–**	–	**14,926,239**	18,209,117
Deposits and prepayment	**649,332**	1,834,709	**–**	1,200,000
Sundry receivables	**2,394,168**	3,012,678	**68,560**	68,560
Allowance for doubtful debts	**(1,534,032)**	(1,497,062)	**–**	–
	1,509,468	3,350,325	**14,994,799**	19,477,677

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM549,418 (2008: RM1,242,092).

24. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group	
	2009	**2008**
	RM	**RM**
Contract costs incurred to date	**259,461,962**	249,205,160
Add: Attributable profits	**46,782,877**	45,715,888
	306,244,839	294,921,048
Less: Progress billings received and receivable	**(299,397,094)**	(285,549,501)
	6,847,745	9,371,547
Due from customers on contracts (Note 23(A))	**10,997,020**	11,955,608
Due to customers on contracts (Note 31(A))	**(4,149,275)**	(2,584,061)
	6,847,745	9,371,547
Retention sums on contracts, included within trade debtors (Note 23(A))	**16,218,123**	15,830,300
Advances received on contracts, included within trade payables (Note 31(A))	**789,219**	595,454
Contract costs recognised as an expense (Note 6)	**35,998,295**	35,605,631

Included in contract costs recognised as an expense is provision for defect liabilities of RM956,617 (2008: RM973,689) during the year.

25. SHORT TERM DEPOSITS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Fixed deposits with licensed banks	**8,805,586**	8,173,491	**1,726,483**	1,103,083

Fixed deposits with licensed banks of the Group amounting to RM7,576,896 (2008: RM8,173,491) and of the Company amounting to RM1,726,483 (2008: RM1,103,083) are pledged as security for banking facilities granted to the Group and to the Company respectively as disclosed in Note 32 and Note 35 to the financial statements.

25. SHORT TERM DEPOSITS (cont'd)

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

	Interest rate		Maturity	
	2009	**2008**	**2009**	**2008**
	%	**%**	**day**	**day**
Group	**1.90**	3.31	**84**	85
Company	**2.23**	3.70	**87**	112

26. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**7,216,058**	2,791,213	**111,459**	199,445
Fixed deposits with licensed banks*	**1,228,690**	–	**–**	–
Bank overdrafts (Note 32)	**(3,738,118)**	(1,859,670)	**–**	–
Total cash and cash equivalents	**4,706,630**	931,543	**111,459**	199,445

* Excluding amounts pledged as security as disclosed in Note 25.

27. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2009	**2008**	**2009**	**2008**
			RM	**RM**
Authorised:				
At 1 January/31 December	**1,000,000,000**	1,000,000,000	**100,000,000**	100,000,000

	Number of ordinary shares of RM0.10 each	Amount	
	Share capital (issued and fully paid)	**Share capital (issued and fully paid) RM**	**Total share capital RM**
Issued and fully paid:			
At 1 January 2009/31 December 2009	634,906,903	63,490,690	63,490,690

There was no issuance of new shares for the year ended 31 December 2009.

28. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

29. RETAINED EARNINGS

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

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2008 and 2009, the Company has sufficient credit in the Section 108 balance and tax-exempt income account to pay franked dividends out of its entire retained earnings.

As at 31 December 2009, the Company has tax exempt profits available for distribution of approximately RM16,008 (2008: RM15,500), subject to the agreement of the Inland Revenue Board.

30. HIRE PURCHASE PAYABLES

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Amounts outstanding	**66,345**	83,800	**–**	–
Less: Due within twelve months (Note 31(B))	**(11,899)**	(17,455)	**–**	–
Due after twelve months	**54,446**	66,345	**–**	–

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

	Group			
	2009		2008	
	Minimum payments RM	**Present value of liabilities RM**	**Minimum payments RM**	**Present value of liabilities RM**
Gross amounts payable				
Not later than 1 year	**15,216**	**11,899**	21,466	17,455
More than 1 year but not later than 5 years	**69,649**	**54,446**	84,865	66,345
	84,865	**66,345**	106,331	83,800
Less: Future finance charges	**(18,520)**	**–**	(22,531)	–
	66,345	**66,345**	83,800	83,800

31. TRADE AND OTHER PAYABLES

(a) Trade payables

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Trade payables	**47,332,245**	42,194,942	**–**	–
Advances received on contracts (Note 24)	**789,219**	595,454	**–**	–
Due to customers on contracts (Note 24)	**4,149,275**	2,584,061	**–**	–
	52,270,739	45,374,457	**–**	–

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM27,293,035 (2008:RM30,052,159) which relates to work completed for certain federal public sector projects as mentioned in Note 23(A)(i) and Note 23(A)(ii). In accordance with the agreements with these sub-contractors and suppliers, the amount will be settled only upon the Group's receipt of payments from the debtors. The management is confident of enforcing this payment term with the sub-contractors and suppliers.

(b) Other payables

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Due to subsidiary	**–**	–	**33,822**	–
Other creditors and accruals	**5,941,321**	7,854,707	**1,373,813**	4,510,470
Due to a related party	**1,700,000**	–	**1,700,000**	–
Deferred revenue	**1,179,714**	196,091	**–**	–
Due to directors	**1,284,271**	1,300,855	**–**	–
Provision for defect liabilities	**4,665,609**	4,180,733	**–**	–
Hire purchase payables (Note 30)	**11,899**	17,455	**–**	–
	14,782,814	13,549,841	**3,107,635**	4,510,470

Included in the Group's and Company's other creditors and accruals is an amount due to the Original Shareholders of a former associate as disclosed in Note 18(b) to the financial statements.

Amount due to a related party is non-interest bearing, unsecured and has no fixed terms of repayment.

32. BANK BORROWINGS

	Group	
	2009 RM	**2008 RM**
Short term borrowings		
Bank overdraft (secured) (Note 26)	**3,738,118**	1,859,670
Bankers' acceptances (secured)	**6,962,083**	4,822,092
Revolving credit	**–**	5,929,020
	10,700,201	12,610,782

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and the fixed deposits with licensed banks of RM7,576,896 (2008:RM8,173,491) of the Group as disclosed in Note 13, Note 14 and Note 25. The interest rates on these borrowings range between 3.03% to 6.8% (2008:4.50% to 8.0%) per annum.

The revolving project loan is secured by the deed of assignment of contract proceeds and receivables in relation to the project at an interest rate of 7% per annum.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2009		2008	
	Transactions RM	**Balance outstanding RM**	**Transactions RM**	**Balance outstanding RM**
Group				
Rental received from Metronic Corporation Sdn. Bhd.+	**12,000**	**–**	12,000	–
Purchases from ITG Worldwide (M) Sdn. Bhd. ##	**–**	**962,745**	1,423,904	1,014,171
Rental received from ITG Worldwide (M) Sdn. Bhd. ##	**12,000**	**–**	12,000	–
Contract fee payable to Integrated Commerce Sdn. Bhd. *	**–**	**19,059**	–	19,059
Contract and maintenance services receivable from				
- MH Projects Sdn. Bhd. ("MHP") #	**330**	**46,855,069**	680	37,559,119
- ER Mekatron Manufacturing Sdn Bhd. ###	**11,000**	**11,000**	–	–
Maintenance fee receivable from Integrated Commerce Sdn. Bhd. *	**–**	**–**	67,869	–
Subcontractor fee to Ledtronics Sdn. Bhd.**	**85,798**	**–**	–	16,192
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	**178,775**	**291,645**	647,115	409,170
Sale of equipment to Edmund Chuah Choong Eng Huat ***	**–**	**58,786**	62,431	62,431
Contract revenue receivable from Ariantec Sdn. Bhd. @	**28,000**	**583**	2,677,393	–
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd.@	**75,350**	**–**	–	–
Company				
Dividend income from Ariantec Sdn. Bhd.@	**2,681,242**	**–**	–	–
Subsidiaries:				
Management fee receivable	**1,200,000**	**–**	–	–
Office rental payable	**12,000**	**–**	12,000	–

+ A company in which the directors of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong have interest.

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

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

A company in which a director of the Company, Edmund Chuah Choong Eng Huat has interest.

@ A former associate of the Company, in which the directors of the Company, Dato' Abd. Gani bin Yusof and Dr Ng Tek Che were also directors of this company.

* A company in which a director of the Company, Dato' Abd. Gani bin Yusof has interest until 16 July 2009.

** A company in which a director of the Company, Datuk Subhi Bin Dziyauddin, was also a director of this company until 20 July 2009.

*** Edmund Chuah Choong Eng Huat is a director of the Company.

The directors of the Company 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.

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Short-term employee benefits	**980,867**	998,257	**629,420**	–
Post-employment benefits:				
Defined contribution plan	**73,584**	83,328	**73,584**	–
Directors' fees	**72,000**	74,000	**108,000**	110,000
	1,126,451	1,155,585	**811,004**	110,000
Included in the total key management personnel are:				
Directors' remuneration (Note 9(b))	**1,126,451**	1,155,585	**811,004**	110,000

34. CAPITAL COMMITMENTS

	Group		Company	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	**9,275,083**	11,642,255	**9,275,083**	11,642,255
Approved and not contracted for:				
- Capital expenditure	**21,807,547**	–	**–**	–

35. CONTINGENT LIABILITIES

	Group	
	2009 RM	**2008 RM**
(a) Secured:		
Performance and financial guarantees issued by the banks to third parties	**6,858,600**	10,255,744
Standby Letter of Credit given to a licensed bank for credit facilities granted to a foreign subsidiary	**1,371,800**	2,717,349
	8,230,400	12,973,093

The above bank guarantees and letter of credit are secured on the freehold land and buildings, leasehold buildings and fixed deposits with licensed banks of the Group amounting to RM7,576,896 (2008:RM8,173,491) and of the Company amounting to RM1,726,483 (2008: RM1,103,083) respectively as disclosed in Note 13 and Note 25 to the financial statements.

	Group	
	2009 RM	**2008 RM**
(b) Unsecured:		
Litigation, claims and legal suits	**2,073,133**	2,251,617

35. CONTINGENT LIABILITIES (cont'd)

(b) Unsecured: (cont'd)

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

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

The High Court had on 30 November 2009 adjourned the decision for Summary Judgment to 13 April 2010. On 13 April 2010, the application was dismissed with cost in the cause by the High Court and set the matter for trial.

The Company's solicitors are of the opinion that the prospect of the claim to be successful is remote as CWorks failed to fulfill the terms of the contract. Therefore, no provision has been made as at 31 December 2009.

(ii) On 20 January 2009, the Company's wholly owned subsidiary, Metronic Engineering Sdn. Bhd. ("MESB") as the second defendant, through its solicitors, was served a Writ of Summons by United U-Li (M) Sdn. Bhd ("UUSB") claiming for an amount of RM54,314 plus cost, being the amount owed by the first defendant Digital Star Sdn. Bhd ("DSSB") to UUSB. MESB is the guarantor for DSSB on approved purchases for a project up to only RM100,000. MESB had since filed a defence on the case. The case is now fixed for trial. The exposure to MESB is the claim amount of RM54,314 plus interest. The guarantee is effective from 10 April 2002 and expired on 7 July 2003 whereas the claim operates in year 2004.

The Company's solicitors are of the opinion that the prospect to defeat the claim is good as the claim does not prevail over the guarantee. Therefore, no provision has been made as at 31 December 2009.

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

On 21 July 2009, TMSB proceeded for a Summary Judgment in the High Court of Kuala Lumpur. MESB had filed defence and a 3rd party proceedings was initiated against MH Projects. The matter is now fixed for Case Management on 17 May 2010 pending hearing of Summary Judgment application.

The amount claimed of RM267,202 has already been accrued for in the financial statements and no further provision is required as at 31 December 2009.

(iv) On 15 November 2005, MESB being the first defendant was served with a Writ of Summons by Lee Bee Leng & two others ("Plaintiffs") claiming for among others general damages of RM500,000 and special damages of RM403,550 due to the death of the first Plaintiff's husband and second and third Plaintiff's father. The maximum exposure to liabilities of MESB and University Teknologi Petronas ("UTP") (Second Defendant) is therefore estimated at RM903,550. The dependency claim of RM403,550 has been dismissed, thus reducing MESB and UTP's exposure to RM500,000. This case has been struck off during the year.

35. CONTINGENT LIABILITIES (cont'd)

	Company 2009 RM	Company 2008 RM
(c) Unsecured:		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	**64,900,000**	64,900,000

36. EVENT SUBSEQUENT TO BALANCE SHEET DATE

(a) On 4 March 2010, the Company invested US$175,012, being additional paid up registered capital in Anhui Lai'An Metronic Water Supply Company Limited, bringing the total paid-up registered capital to US$820,512 (equivalent to RM2,879,322).

37. 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 (both fair value and cash flow), foreign currency risk, liquidity and credit risks. It is, and has been throughout the year under review, the Group's policy not to engage in speculative transactions.

(b) Interest rate risk

Cash flow interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no substantial long term interest-bearing assets as at 31 December 2009. The investments in financial assets are mainly short term in nature and have been mostly placed in short term deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. 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 rate hikes. The Group does not have any exposure in off balance sheet instruments other than the financial guarantees as disclosed in Note 35.

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 the functional currency of the operations to which they relate. Exposure to foreign currency risks are monitored on an on-going basis. The currencies giving rise to this risk are primarily the United States Dollar, Great Britain Pound, Euro, Singapore Dollar and Arab Emirates Dirham.

37. FINANCIAL INSTRUMENTS (cont'd)

(d) Foreign currency risk (cont'd)

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

	United States Dollar RM	Great Britain Pound RM	Euro RM	Singapore Dollar RM	Arab Emirates Dirham RM	Total RM
Trade payables						
At 31 December 2009	**846,738**	**26,085**	**121,917**	**37,120**	**50,068**	**1,081,928**
At 31 December 2008	1,817,831	92,140	134,595	111,340	–	2,155,906

	United States Dollar RM	Saudi Riyal RM	Arab Emirates Dirham RM	Total RM
Trade receivables				
At 31 December 2009	**232,685**	**445,043**	**321,673**	**999,401**
At 31 December 2008	355,267	–	–	355,267

(e) Credit risk

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

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instruments other than the progress billings receivables from a related party and certain group of debtors of RM37,889,832 (2008: RM39,124,152) and retention sums on contracts of RM11,079,919 (2008: RM11,079,919) as disclosed in Note 23(A).

(f) Fair values

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

	Group		Company	
	Carrying value RM	Fair value RM	Carrying value RM	Fair value RM
At 31 December 2009:				
Financial Assets				
Quoted Securities in Malaysia	**9,103,401**	**10,325,978**	**8,699,198**	**9,665,775**
Amount due from subsidiaries	**–**	**–**	**14,926,239**	**#**
At 31 December 2008:				
Financial Assets				
Quoted Securities in Malaysia	315,482	504,282	–	–
Amount due from subsidiaries	–	–	18,209,117	#

\# It is not practical to estimate the fair values of amount due from subsidiaries 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.

37. FINANCIAL INSTRUMENTS (cont'd)

(f) Fair values (cont'd)

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.

38. SEGMENTAL REPORTING

(a) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses. Transfer pricing between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses, and results include transfers between business segments. These transfers are eliminated on consolidation.

(b) Geographical segments

The primary segment reporting format is determined to be geographical as the Group's risks and rates of return are affected predominantly by the location of where revenue is generated. The Group's geographical segments are divided into two categories.

(i) Malaysia

The operations in this area are system integration specialising in the field of intelligent building management system and integrated security management system, e-project management of mechanical and electrical services, supply of engineering systems and equipment, and provision of online administration services for the healthcare sector.

(ii) Overseas

The Group has operations in Vietnam, India, Singapore, People's Republic of China, United Arab Emirates and the Kingdom of Saudi Arabia. The operations in these areas are system integration specialising in the field of intelligent building management system and integrated security management system and supply of engineering systems and equipment.

(c) Business segments

The Group comprises two main business segments:

(i) Engineering - system integration specialising in the field of intelligent building management system and integrated security management system, e-project management of mechanical and electrical services, supply of engineering systems and equipment.

(ii) ICT support services - provision of online administration services for the healthcare sector.

38. SEGMENTAL REPORTING (cont'd)

Geographical segments

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

	Malaysia RM	Overseas RM	Consolidation adjustments RM	Total RM
31 December 2009				
Revenue				
Sales to external customers	48,971,019	10,541,673	–	59,512,692
Inter-segment sales	150,288	23,793	(174,081)	–
Total Revenue	49,121,307	10,565,466	(174,081)	59,512,692
Results				
Segment result	3,544,085	(2,141,323)	–	1,402,762
Share of profit/(loss) of associates	363,110	(2,131,709)	–	(1,768,599)
Finance cost	(518,926)	(30,424)	–	(549,350)
Loss before tax				(915,187)
Income tax expense				(623,373)
Net loss for the year				(1,538,560)
Assets				
Segment assets	144,772,532	14,155,113	(23,548,412)	135,379,233
Investment in associates	15,668,416	–	1,417,662	17,086,078
				152,465,311
Liabilities				
Segment liabilities	86,651,788	15,067,124	(23,316,912)	78,402,000
Other segment information				
Capital expenditure	540,358	620,808	–	1,161,166
Depreciation of property, plant and equipment	376,640	181,884	–	558,524
Depreciation of investment properties	5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments	938,709	13,277	–	951,986
Recovery of provision for doubtful debts	1,017,749	–	–	1,017,749
Other significant non-cash expenses:				
Provision for doubtful debts	1,453,948	245,373	–	1,699,321
Provision for defect liabilities	795,162	161,455	–	956,617
Write-down of inventories	73,161	221,182	–	294,343

38. SEGMENTAL REPORTING (cont'd)

Geographical segments (cont'd)

	Malaysia RM	Overseas RM	Consolidation adjustments RM	Total RM
31 December 2008				
Revenue				
Sales to external customers	38,990,485	12,671,490	–	51,661,975
Inter-segment sales	68,586	–	(68,586)	–
Total Revenue	39,059,071	12,671,490	(68,586)	51,661,975
Results				
Segment result	(3,467,243)	(6,388,172)	–	(9,855,415)
Share of profit of associates	1,664,654	927,039	–	2,591,693
Finance cost	(674,805)	(27,956)	–	(702,761)
Loss before tax				(7,966,483)
Income tax expense				656,572
Net loss for the year				(7,309,911)
Assets				
Segment assets	134,748,004	10,636,782	(25,657,513)	119,727,273
Investment in associates	21,514,409	–	6,409,707	27,924,116
				147,651,389
Liabilities				
Segment liabilities	84,868,800	12,271,032	(25,419,012)	71,720,820
Other segment information				
Capital expenditure	511,667	167,834	–	679,501
Depreciation of property, plant and equipment	449,292	164,783	–	614,075
Depreciation of investment properties	5,267	–	–	5,267
Amortisation of intangible assets	975,658	–	–	975,658
Other significant non-cash expenses:				
Provision for doubtful debts (net)	1,190,789	2,023,574	–	3,214,363
Provision for defect liabilities	973,689	–	–	973,689
Write-down of inventories	91,832	2,112,794	–	2,204,626

38. SEGMENTAL REPORTING (cont'd)

Business segment

	Revenue 2009 RM	Revenue 2008 RM
Engineering	**53,786,166**	49,205,519
ICT support services	**5,726,526**	2,456,456
	59,512,692	51,661,975

	Assets 2009 RM	Assets 2008 RM
Engineering	**134,355,308**	138,968,206
ICT support services	**18,110,003**	8,683,183
	152,465,311	147,651,389

	Capital expenditure 2009 RM	Capital expenditure 2008 RM
Engineering	**742,415**	226,540
ICT support services	**418,751**	452,961
	1,161,166	679,501

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 As at 31.12.2009 RM'000	Last date of revaluation or if none, date of acquisition
Metronic Engineering Sdn Bhd No. 2 Jalan Astaka U8/83 Bukit Jelutong Seksyen U8 40150 Shah Alam Selangor Darul Ehsan	3-storey semi-detached office cum factory	23,838	25,112	17 November 2000	9 years/ Freehold	2,777	28 July 2000
No. 4 Jalan Astaka U8/83 Bukit Jelutong Seksyen U8 40150 Shah Alam Selangor Darul Ehsan	3-storey semi-detached office cum factory	16,948	18,621	17 November 2000	9 years/ Freehold	2,362	12 April 2004
Lot 1888, College Heights Garden Resort Nilai, Seremban	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	150	31 December 2009
Unit no. 3F-47, 3rd Floor Lot 1, JB Water Front City Jalan Tun Sri Lanang 80000 Johor Bahru Johor	Shop lot for investment purposes	N/A	475	23 February 2001	9 years/ Leasehold for 99 years expiring on 4 December 2095	93	31 December 2009
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	13 years/ Freehold	141	31 December 2009
Metronic Microsystem (Beijing) Company Limited, PRC No 18, Level 8 Top Fine International Centre Dong San Huan Middle Road Chao Yang District Beijing, PRC	Office	N/A	7,540 (700.53 square metres)	28 November 2003	8 years/ Leasehold for 50 years expiring on 5 February 2052	4,332	15 March 2005
Anhui Lai'An Metronic Water Supply Company Limited Room 502, 16 Floor Anhui Shen Lai'An Xian Cheng Shi HuaYuan, 239200 Lai'An, PRC	Land for developing Water Treatment Plant	236,806	N/A	02 February 2009	1 year/ Leasehold for 33 years expiring on 1 February 2042	499	02 February 2009

Authorised Share Capital	: RM100,000,000 comprising 1,000,000,000 Ordinary Shares of RM0.10 each
Issued and Paid-up Share Capital	: RM63,490,690 comprising 634,906,903 Ordinary Shares of RM0.10 each
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One vote per ordinary share

(I) ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	427	8.491	21,231	0.003
100 - 1,000	95	1.889	51,041	0.008
1,001 -10,000	1,238	24.617	8,872,116	1.398
10,001 - 100,000	2,582	51.342	104,279,185	16.424
100,001 - 31,745,344 (*)	686	13.641	354,916,006	55.900
31,745,345 AND ABOVE (**)	1	0.020	166,767,324	26.267
Total	**5,029**	**100.00**	**634,906,903**	**100.00**

Note:
* less than 5% of issued shares ** 5% and above of issued shares

(II) ANALYSIS OF EQUITY STRUCTURE

		No. of Shareholders		No. of Shares		%	
No	Category of Shareholders	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1	Individual	4,044	40	504,939,129	4,690,036	79.529	0.738
2	Body Corporate						
	a) Banks/finance companies	11	0	1,195,230	0	0.188	0.000
	b) Investment trusts/ foundation/ charities	1	0	182,000	0	0.028	0.000
	c) Industrial and commercial companies	19	2	10,267,956	126,000	1.617	0.019
3	Nominees	893	19#	106,893,485	6,613,067	16.836	1.041#
	Total	**4,968**	**61**	**623,477,800**	**11,429,103**	**98.198**	**1.798**

These holdings include securities registered in the nominee companies with foreign beneficiaries.

(III) 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1	ABD.GANI BIN YUSOF	166,767,324	26.266
2	LIEW CHIAP HONG	31,021,897	4.886
3	NG TEK CHE	28,699,663	4.520
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG TEK CHE (SFD)	18,000,000	2.835
5	LIEW CHIAP HONG	8,392,020	1.321
6	PROMOSI UNGGUL SDN BHD	4,414,800	0.695
7	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BARCLAYS BANK PLC, SINGAPORE (WITH MGMT MY RES)	4,059,000	0.639
8	PHILIP A/L K.O KUNJAPPY	3,800,285	0.598
9	KAMARUZZAMAN BIN SHARIFF	3,714,285	0.585
10	MD WIRA DANI BIN ABDUL DAIM	3,714,285	0.585
11	ONG YEW BENG	3,408,000	0.536
12	GENTING PERWIRA SDN BHD	3,164,285	0.498
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHOA BOON TING (CEB)	3,060,000	0.481
14	CHOW YEE CHIN	3,000,000	0.472
15	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)	3,000,000	0.472

(III) 30 LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
16	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOONG WAI CHEE (MARGIN)	2,700,000	0.425
17	TAN SAI ENG	2,415,600	0.380
18	TAN CHONG CHOY	2,375,000	0.374
19	CHIONG HUI SERN	2,300,000	0.362
20	KE-ZAN NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR AHMAD FAUD BIN MD ALI	2,200,000	0.346
21	CHEAH CHEE FATT	2,000,000	0.315
22	LIM BEE SENG	2,000,000	0.315
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANNABELLE WONG SU CHING (E-KPG)	1,981,600	0.312
24	KOH BOON POH	1,900,000	0.299
25	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED ACCOUNT FOR WAN AHMAD SHAIPUDDIN BIN WAN IBRAHIM	1,895,000	0.298
26	TAN CHING CHEO	1,857,142	0.292
27	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	1,856,600	0.292
28	RHB CAPITAL NOMINEES (TEMPATAN) SDM BHD PLEDGED SECURITIES ACCOUNT FOR QUEK JIN ANG (CEB)	1,650,000	0.259
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GILBERT WONG U-BING	1,649,000	0.259
30	YAP PU BING	1,600,000	0.252

Summary

Total no of holders : 30
Total holdings : 318,595,756
Total percentage (%) : 50.179

(IV) SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	Note	%
Dato' Abd Gani bin Yusof	166,767,324	26.27	1,034	1	#
Dr Ng Tek Che	47,189,175	7.43	1,034	1	#
Liew Chiap Hong	39,903,459	6.28	1,034	1	#

Negligible

Note

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

(V) DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Name of Directors	Direct Interest	%	Indirect Interest	Note	%
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	0.59	–	–	–
Dato' Abd Gani bin Yusof	166,767,324	26.27	1,034	1	#
Dr Ng Tek Che	47,189,175	7.43	1,034	1	#
Liew Chiap Hong	39,903,459	6.28	1,034	1	#
Lim Tzeh Foong	–	–	–	–	–
Datuk Subhi bin Hj Dziyauddin	–	–	–	–	–
Amirudin bin Mohd Baria	–	–	–	–	–
Edmund Chuah Choong Eng Huat	14	#	27	2	#

Negligible

Note

1. Deemed interest by virtue of their interest in Metronic Corporation Sdn Bhd pursuant to Section 6A (4) of the Companies Act, 1965.
2. Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 (shareholding held through his spouse)

1. **THE NAMES OF THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION:-**

   (i) Tan Sri Dato' Kamaruzzaman bin Shariff

   (ii) Dr Ng Tek Che

   Further details of profile of Directors are set out on pages 10 to 13 of the Annual Report while their securities holdings are set out on page 94 of the Annual Report.

2. **DETAIILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:-**

   A total of five Board meetings were held during the financial year ended 31 December 2009. Details of attendance by Directors holding office at the end of the financial year are as follows:-

Name	Attendance
Tan Sri Dato' Kamaruzzaman bin Shariff	4/5
Dato' Abd Gani bin Yusof	4/5
Dr. Ng Tek Che	5/5
Liew Chiap Hong	5/5
Lim Tzeh Foong	5/5
Datuk Subhi bin Hj Dziyauddin	3/5
Amirudin bin Mohd Baria	3/5
Edmund Chuah Choong Eng Huat	4/5

3. **DATE, TIME AND PLACE OF MEETING:-**

   Type of meeting : Seventh (7^{th}) Annual General Meeting
   Date : Wednesday, 30 June 2010
   Time : 10.00 am
   Place : Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8,
   Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan

NOTICE IS HEREBY GIVEN THAT the Seventh (7th) Annual General Meeting of Metronic Global Berhad will be held at Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 June 2010 at 10.00 am.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with Reports of the Directors and Auditors thereon. **Resolution 1**

2. To re-elect the following Directors retiring in accordance with Articles 86 of the Company's Article of Association and who being eligible have offered themselves for re-election:

   i) Tan Sri Dato' Kamaruzzaman bin Shariff **Resolution 2**

   ii) Dr Ng Tek Che **Resolution 3**

3. To approve the payment of Directors' Fees of RM108,000 in respect of the financial year ended 31 December 2009. **Resolution 4**

4. To re-appoint Messrs Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business:-

To consider and if thought fit, to pass the following Ordinary Resolutions:-

5. **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 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 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 6**

6. **Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "THAT the mandate granted by the shareholders of the Company on 30 June 2009 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") authorising the Company and its subsidiaries ("MGB Group") to enter into the Recurrent Related Party Transaction of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 8 June 2010 ("the Circular") with the related parties mentioned therein, which are necessary for the MGB Group's day-to-day operations, be and is hereby renewed, AND THAT a new mandate be and is hereby granted by the shareholders of the Company to apply to the additional recurrent transactions of a revenue nature as set out in Section 2.3 of the Circular with the related parties mentioned therein, provided that."

i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

ii) disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and in the annual reports for subsequent financial years during which the shareholders' mandate is in force based on the type of the recurrent transactions , the names of the related parties involved in each type of the recurrent transactions and their relationship with the Company;

AND THAT the authority conferred by such mandate shall continue to be in force until:-

i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless authority is renewed by a resolution passed at the next Annual General Meeting, or

ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965), or

iii) revoked or varied by resolution passed by shareholders of the company in general meeting.

whichever is the earliest;

AND THAT, authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the proposed shareholders' mandate.

AND THAT, the estimates given on the recurrent related party transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.4 of the Circular." **Resolution 7**

7. **ANY OTHER BUSINESS**

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

By Order of the Board,

AZLAN MOHD ARIFF (LS0008402)
SHEILA WINSTON PAYNE (LS0009002)
Company Secretaries

Selangor Darul Ehsan
8 June 2010

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 Section 149(1) (b) of the Companies Act 1965 need not be complied with.
3. A member who is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, is allowed to appoint at least one (1) proxy in respect of each securities accounts it holds with ordinary shares of the company standing to the credit of the said securities accounts.
4. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy. Duplication of proxy form is allowed for appointment of additional proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under seal or under the hand of an official or attorney duly authorised.
6. The instrument appointing the proxy must be deposited at the Registered Office of the Company at No.4, Tingkat 2, Jalan 3/27F, Desa Setapak, Wangsa Maju, 53300 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Ordinary Resolution 6**

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

   The proposed Resolution 6, 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. **Ordinary Resolution 7**

   Resolution pertaining to renewal and new Shareholders' Mandate for the Recurrent Related Party Transactions

   The proposed Resolution 7, 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 8 June 2010, 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) whichever is earlier, unless earlier revoked or varied by a resolution in a general meeting.

METRONIC

Metronic Global Berhad

(632068-V)

Proxy Form

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 Seventh (7th) Annual General Meeting of the Company to be held at Metronic Global Office, No.2, Jalan Astaka U8/83, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 June 2010 at 10.00am and or at any adjournment thereof.

No.	Resolution	For	Against
	Ordinary Business		
1.	To receive and adopt the Audited Financial Statements and Reports for the year ended 31 December 2009		
2.	Re-election of Tan Sri Dato' Kamaruzzaman bin Shariff as Director		
3.	Re-election of Dr Ng Tek Che as Director		
4.	To approve the payment of Directors' Fees of RM 108,000		
5.	Re-appointment of Auditors		
	Special Business		
6.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
7.	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")		

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.

.... Signature / Common Seal

.... Date

NO. OF SHARES HELD

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 No.4, Tingkat 2, Jalan 3/27F, Desa Setapak, Wangsa Maju, 53300 Kuala Lumpur 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, this form of proxy will be deemed to relate to all shares held by the member.

Fold this flap for sealing

Then fold here

AFFIX STAMP

METRONIC

Metronic Global Berhad

(632068-V)

No. 4, Tingkat 2, Jalan 3/27F

Desa Setapak, Wangsa Maju

53300 Kuala Lumpur

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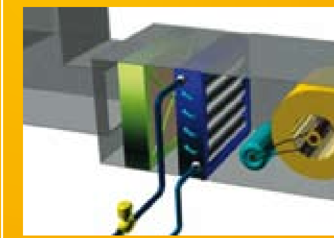

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