METRONIC

Metronic Global Berhad

(632068-V)

Growing a greener world

ANNUAL REPORT 2010

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

Mohd Kamal bin Omar *(Appointed on 30 August 2010)*
Independent Non-Executive Director

Amirudin bin Mohd Baria *(Resigned on 1 June 2010)*
Independent Non-Executive Director

Edmund Chuah Choong Eng Huat *(Vacated office on 16 March 2011)*
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lim Tzeh Foong
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Mohd Kamal bin Omar
(Appointed on 30 August 2010)
Member

Amirudin bin Mohd Baria
(Resigned on 1 June 2010)
Member

REMUNERATION COMMITTEE

Lim Tzeh Foong
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Liew Chiap Hong
Member

Amirudin bin Mohd Baria
(Resigned on 1 June 2010)
Member

NOMINATION COMMITTEE

Datuk Subhi bin Hj Dziyauddin
Chairman

Lim Tzeh Foong
Member

Dr Ng Tek Che
Member

COMPANY SECRETARIES

Tan Lim Kuan *(MIA 8011)*
(Appointed on 6 April 2011)

Chok Kwee Wah *(MACS 00550)*
(Appointed on 29 April 2011)

Azlan Mohd Ariff *(LS 0008402)*
(Resigned on 6 April 2011)

Sheila anak Winston Payne
(LS 0009002)
(Resigned on 30 August 2010)

REGISTERED OFFICE

No 32B, Jalan SS2/66,
47300 Petaling Jaya,
Selangor Darul Ehsan
Tel: 03 - 78775296
Fax: 03 - 78775989

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
Chartered Accountants

SOLICITORS

Messrs Bahari & Bahari
Messrs Liow & Co
Messrs Muru & Partners

PRINCIPAL BANKERS

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Malaysia Debt Ventures Berhad

STOCK EXCHANGE LISTING

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

CORPORATE WEBSITE

www.metronic-group.com

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.

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

The origin of the MGB Group can be traced back to August 1984 when Metronic Engineering Sdn Bhd ("MESB") was incorporated 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.

During the early years, MESB 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".

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.

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.

Over the years, the Group has strengthened its 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.

In a move to diversify and complement its existing core businesses, in 2006, the Group via Metronic iCares Sdn Bhd ("MICSB") ventured into Third Party Administrator ("TPA") and Managed Care Organisation ("MCO") businesses for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.

For geographical expansion, MGB Group has embarked on a series of acquisition strategies over the last few years to complement the local markets. As at today, the Group has reached China, India, Vietnam and Middle East countries.

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 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 Engineering Services Division

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

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

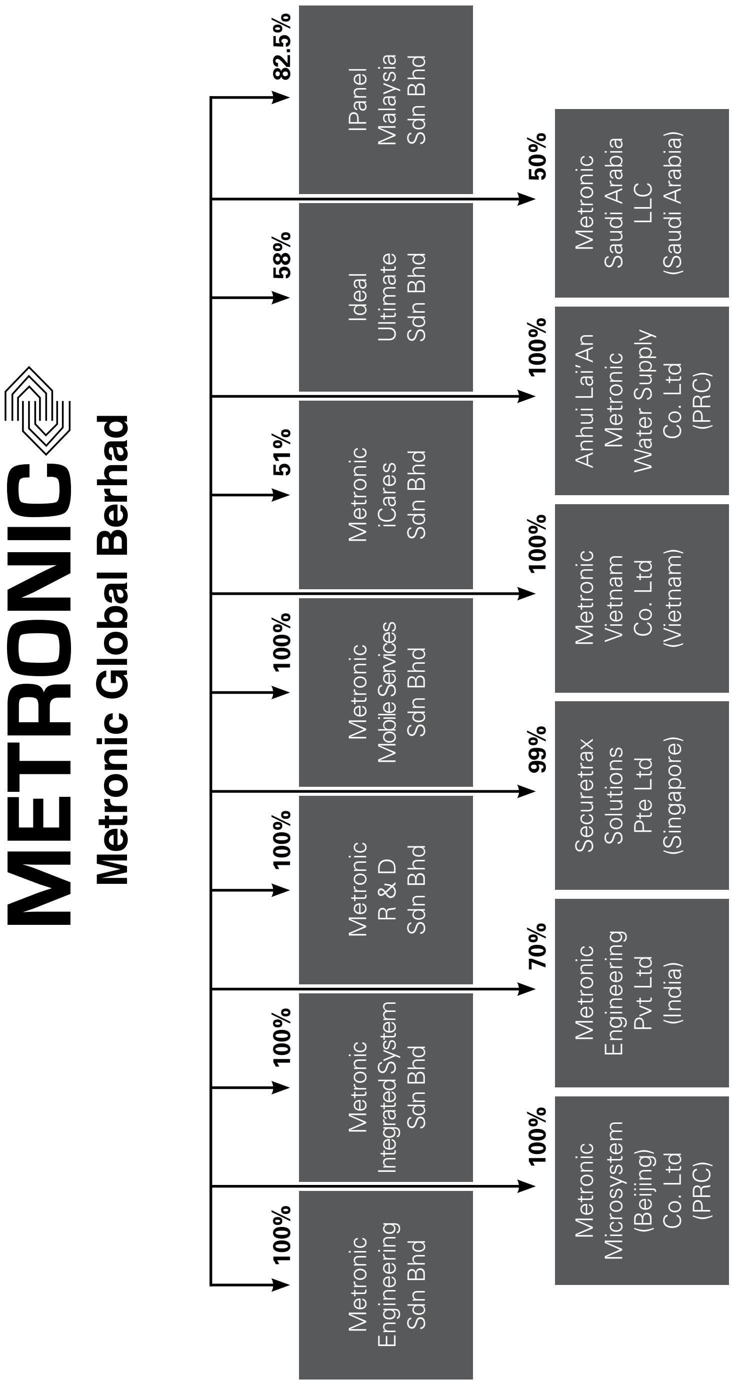
The Group, through its strategic alliance with a Japanese partner is involved in the provision of industrial automation specialising in Automated Storage and Retrieval System ("ASRS"). The logistic solutions offered by the Group focus on efficient storage of goods while preserving their quality and facilitate 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.

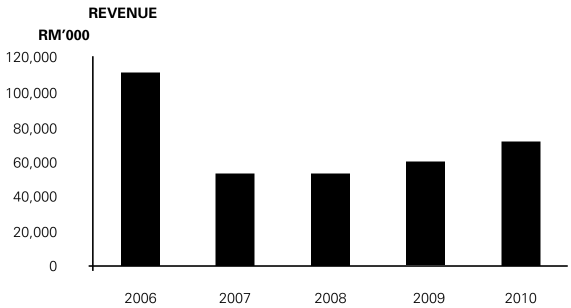
The Group through its subsidiary, MICSB acts as a TPA and MCO for the healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet ("iCare System"). The iCare System is a third party administration system that provides healthcare 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.

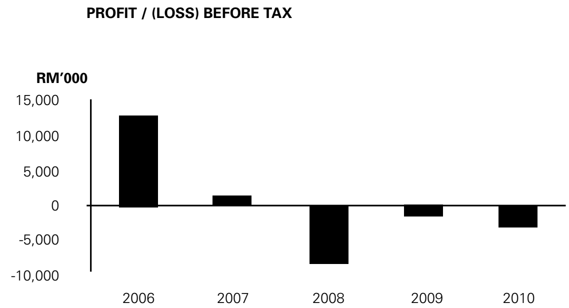
CORPORATE STRUCTURE
As at 1 May 2011

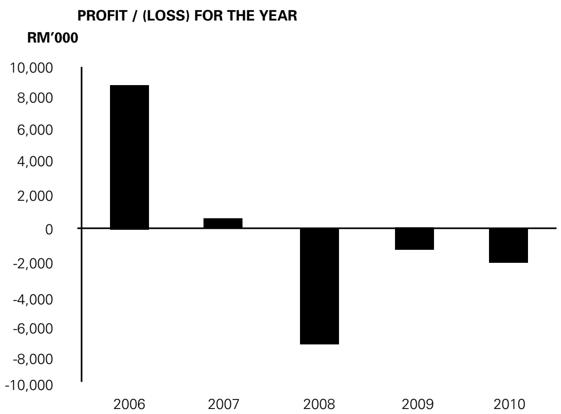


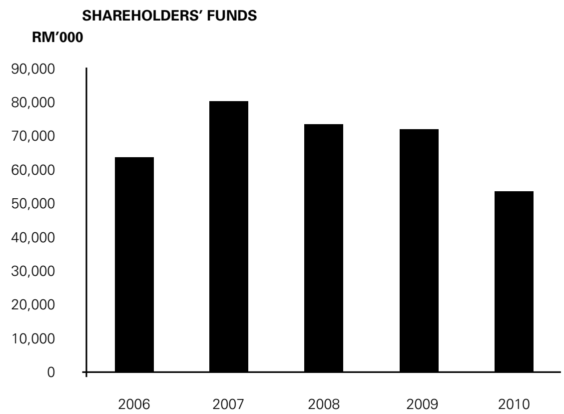
FIVE-YEAR FINANCIAL HIGHLIGHTS

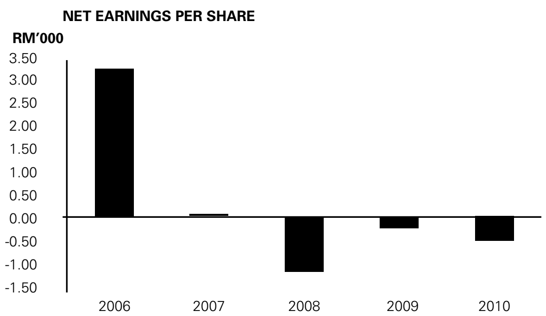
	2006 RM'000	2007 RM'000 (Restated)	2008 RM'000	2009 RM'000	2010 RM'000
Revenue	110,942	52,695	51,662	59,513	**71,069**
Profit/(loss) before tax	12,561	1,268	(7,966)	(915)	**(1,454)**
Profit/(loss) for the year	9,029	414	(7,310)	(1,539)	**(1,898)**
Profit/(loss) attributable to equity holders of the Company	9,215	988	(7,260)	(2,086)	**(2,909)**
Shareholders' funds	61,419	80,728	75,203	72,840	**53,107**
Net earnings per share (sen)	3.25	0.17	(1.14)	(0.33)	**(0.46)**
Net assets per share attributable to equity holders of the Company (sen)	21.66	12.71	11.84	11.47	**8.36**

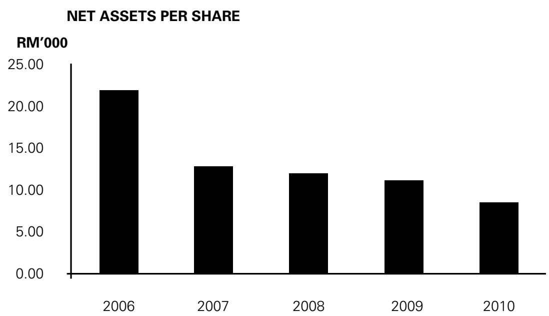












Tan Sri Dato' Kamaruzzaman bin Shariff
Executive Chairman

Tan Sri Dato' Kamaruzzaman bin Shariff, a Malaysian, aged 69, 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 32 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 56, 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 is also a non-executive director of Kenmark Industrial Co. (M) 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 32 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 55, 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 32 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a substantial shareholder of the Company.

Liew Chiap Hong
Executive Director

Mr Liew Chiap Hong, a Malaysian, aged 55, 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 32 to the Financial Statements. He had no conviction of any offences in the past 10 years. He is a substantial shareholder of the Company.

Lim Tzeh Foong
Independent Non-Executive Director

Mr Lim Tzeh Foong, a Malaysian, aged 40, 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 32 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 48, 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 32 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.

Mohd Kamal bin Omar
Independent Non-Executive Director

Encik Mohd Kamal bin Omar, a Malaysian, aged 57, was appointed as the Independent Non-Executive Director of the Company on 30 August 2010. He is also a member of Audit Committee. He graduated with a Bachelor of Science majoring in Computer Science from Northern Illinois University, USA. He has extensive management experience with Petronas, Malaysian L.N.G., Golden Hope Plantation Berhad, DRB-Hicom Group of companies. After he left DRB-Hicom, he joined Berger International Limited, a public listed company in Singapore as a Director in 1996 and later as the Chief Executive Officer.

He is currently the Vice Chairman of Boon Koon Group 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 32 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.

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 2010.

INDUSTRY AND OPERATING ENVIRONMENT OVERVIEW

The global economic recovery which began in the second half of 2009 continued in 2010 at an uneven pace. The recovery is expected to continue in 2011 but at a more moderate projected growth of 3.3%. (Source: The World Bank Data & Research)

Following the contraction of 1.7% in 2009, the year 2010 saw a strong rebound in the Malaysian economy with a momentum growth of 7.2%, backed by robust domestic demand and private sector activity. The economic growth is projected at 5% to 6% in 2011 in view of the expectation of moderate growth in the advanced economies and a return to more normal growth rates by the Asian economies. (Source: Bank Negara Annual Report 2010).

The Malaysian construction sector weakened in the second quarter and third quarter of 2010 before recovering in the fourth quarter and registered an annual growth of 5.2% in 2010. The growth in this sector for 2011 is expected to improve to 5.4% in view of the implementation of on-going infrastructure projects and new projects under the 10th Malaysia Plan and the Economic Transformation Programme (ETP).

The services sector is expected to remain the largest contributor to the Malaysian economic growth in 2011 with a projected growth of 5.9% against 6.8% reported in 2010.

FINANCIAL REVIEW

The Group recorded a revenue of RM71.07 million for the current financial year ended 31 December 2010, representing an increase of RM11.56 million or 19% compared to the revenue of RM59.51 million for the previous financial year, whereby the engineering segment led the growth in revenue, followed by the ICT support services segment.

The Group's loss before taxation increased to RM1.45 million for the current financial year ended 31 December 2010 against the loss before taxation of RM0.91 million for the previous financial year, representing an increase of RM0.54 million or 59%. This is mainly due to the higher operating cost which was however, mitigated by an increase in revenue and gross profit as well as higher profit contribution from the associate.

OPERATIONS OVERVIEW

Engineering Division

Engineering division remains the major contributor of revenue for the Group. Revenue from Engineering division rose by RM8.46 million or 16% from the previous financial year and accounted for 88% of the Group's revenue for the financial year under review.

During the financial year 2010, the Group successfully secured IBMS and ISMS projects with a total worth of RM18.18 million both locally and overseas which include:

- Lembaga Hasil Dalam Negeri, Cyberjaya, Selangor;
- Hospital Kuala Lumpur – Specialist Complex & Ambulatory Care Centre;
- Menara Chua, Kuala Lumpur;
- KL Sentral Lot E, Kuala Lumpur;
- Bangunan SPPK, Damansara Heights, Kuala Lumpur; and
- Information Technology Park Building at Special Economic Zone, Villankurichi, India.

ICT Support Services Division

Following the encouraging positive results recorded in the year 2009, the ICT Support Services Division reported another remarkable growth in revenue in the year 2010 from RM5.73 million to RM8.82 million representing a rise of 54%.

Metronic iCares Sdn Bhd ("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 20 major accounts with more than 2,500 principal clients. To assist its principal clients, MICSB has installed this end-to-end web-based technology, called iCare System through a network of over 116 panel hospitals and 1500 panel clinics and to date MICSB has issued over 850,000 cards to its members.

CORPORATE DEVELOPMENTS

The corporate developments that took place during the financial year and up to the date of this report are as follows:

(i) Termination of Water Concession Agreement with Lai'An County Water Utility Board, Anhui Province in the People's Republic of China

The Company and Lai'An County Water Utility Board ("Water Utility Board") mutually agreed to terminate the 33 years build, operate and transfer water concession agreement dated 2 February 2009 ("BOT Water Concession Agreement") for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the People's Republic of China ("Concession Rights") with effect from 16 August 2010 ("Termination"). Upon the termination of the BOT Water Concession Agreement, the Company shall return the Concession Rights to the Water Utility Board and handover all the construction works completed up to the date of Termination (inclusive of office building, water supply pump station, chlorine and additive treatment plant, water tank, perimeter wall etc.) and related documents, materials and files to the Water Utility Board.

Pursuant to the Termination, the Water Utility Board agreed to compensate MGB for all the construction works completed up to the date of the Termination amounted to RMB5,123,484 (or equivalent to RM2,387,544 based on exchange rate of RMB1: RM0.466). It was mutually agreed that part of the compensation amount of RMB1,219,181 (or equivalent to RM568,138 based on exchange rate of RMB1: RM0.466) shall be paid directly by the Water Utility Board to one of the subcontractor of the concession work, for the balance amount owing on construction costs of the water treatment plant, and the remaining amount of RMB3,904,303 (or equivalent to RM1,819,405 based on exchange rate of RMB1: RM0.466) shall be paid to MGB's wholly owned special purpose company, namely Anhui Lai'An Metronic Water

CORPORATE DEVELOPMENTS (CONT'D)

(i) Termination of Water Concession Agreement with Lai'An County Water Utility Board, Anhui Province in the People's Republic of China (cont'd)

Supply Co Ltd (which was incorporated to undertake the funding and construction of the water treatment plant under the BOT Water Concession Agreement) upon the Water Utility Board entering into a new build, operate and transfer concession agreement with a third party who shall become the successor of MGB to pursue/take-over the Concession Rights and related work.

(ii) Deregistration of Metronic Australia Pty Ltd , a subsidiary of MGB

On 19 December 2010, Metronic Australia Pty Ltd, a 60% owned subsidiary of MGB was voluntarily deregistered.

(iii) Dilution of Equity Interest in Unilink Development Limited, an Associate of MGB

On 22 March 2011, Unilink Development Limited ("Unilink"), an associate of MGB alloted 416 new shares of Hong Kong Dollar ("HKD") 1.00 each to Zonemax Holdings Limited, British Virgin Island ("Zonemax"), the shareholder of Unilink as a result of the exercise of option by Zonemax to convert the outstanding loan payable and due to Zonemax from Unilink to new shares of Unilink. Hence, MGB's equity interest in Unilink was diluted from 25% to 17.66% and Unilink ceased to be an associate of MGB.

PROSPECTS

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

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

The Board is optimistic about the performance of ICT Support Services division in view that the division will continue providing steady and recurring income as well as additional income to the Group in future.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to welcome our new director, En. Mohd Kamal bin Omar who joined us as the Company's Independent Non-Executive Director in August 2010. I would also like to record our appreciation to En. Amirudin bin Mohd Baria and Mr. Edmund Chuah Choong Eng Huat who served as Directors from August 2004 to June 2010 and July 2007 to March 2011 respectively.

I would also like to thank our shareholders, customers, business associates, bankers and other stakeholders for their unwavering support. Our appreciation also goes to our employees for their dedication and 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 the financial year ended 2010 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 seven (7) 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 of each Director are as follows:

Director	Designation	Number of Meetings Attended
Tan Sri Dato' Kamaruzzaman bin Shariff	Executive Chairman	4/5
Dato' Abd Gani bin Yusof	Executive Vice- Chairman	5/5
Dr. Ng Tek Che	Group Managing Director	5/5
Liew Chiap Hong	Executive Director	5/5
Lim Tzeh Foong	Independent Non-Executive Director	5/5
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director	3/5
Mohd Kamal bin Omar (Appointed on 30 August 2010)	Independent Non-Executive Director	1/1
Amirudin bin Mohd Baria (Resigned on 1 June 2010)	Independent Non-Executive Director	0/3
Edmund Chuah Choong Eng Huat (Vacated office on 16 March 2011)	Non-Independent Non- Executive Director	0/5

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
Mohd Kamal bin Omar (Appointed on 30 August 2010)	- Independent Non-Executive Director
Amirudin bin Mohd Baria (Resigned on 1 June 2010)	- Independent Non-Executive Director

Details of the functions and activities of the committee are set out on pages 22 to 24 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 twice 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 three (3) members, two (2) 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 (Resigned on 1 June 2010)	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 25 to 26 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.

Except for Dr. Ng Tek Che who did not attend any training during the financial year 2010 due to his work commitments, the trainings attended by the Directors in 2010 are as follows:

Tan Sri Dato' Kamaruzzaman bin Shariff	
Overview of Applicable FRSs	16 November 2010

Dato' Abd Gani bin Yusof	
Overview of Applicable FRSs	16 November 2010

Liew Chiap Hong	
Overview of Applicable FRSs	16 November 2010

Lim Tzeh Foong	
Overview of Applicable FRSs	16 November 2010

Datuk Subhi bin Hj Dziyauddin	
Overview of Applicable FRSs	16 November 2010

Mohd Kamal bin Omar	
Overview of Applicable FRSs	16 November 2010

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) Mohd Kamal bin Omar (Pursuant to Article 79)

ii) Dato' Abd. Gani bin Yusof (Pursuant to Article 86)

iii) Lim Tzeh Foong (Pursuant to Article 86)

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	66,000	102,000
Salaries and Other Emoluments (RM)	702,962	–	702,962

** 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	4
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.

*Including Director who resigned during the year

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) <u>Internal Control</u>

The Statement on Internal Control set out on pages 25 to 26 of the Annual Report provides an overview of the state of internal control within the Group.

3) <u>Relationship with Auditors</u>

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) <u>Directors' Responsibility Statement for the Financial Statements</u>

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 apply them consistently;

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 2010, 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 2010.

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

The amount of non-audit fee payable to the external auditors by the Group in respect of the financial year ended 31 December 2010 is RM40,000.

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 2010.

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 32 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 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 cash contribution to the fund raising carnival on Berjaya Founder's Day.

(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 Seventh (7th) Annual General Meeting held on 30 June 2010 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 2010.

For the financial year ended 31 December 2010, 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 2010 to December 2010 (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

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%.

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 2010 are as follows:

Members	Designation
Lim Tzeh Foong (Chairman)	Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director
Mohd Kamal bin Omar (Appointed on 30 August 2010)	Independent Non-Executive Director
Amirudin bin Mohd Baria (Resigned on 1 June 2010)	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 February 2011.

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 2010, 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
Mohd Kamal bin Omar (Appointed on 30 August 2010)	1/1
Amirudin bin Mohd Baria (Resigned on 1 June 2010)	2/3

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 2009 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 RM36,000 for the financial year 2010.

The Board of Directors ("the Board") is pleased to provide the following Statement on Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad 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 2010.

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.

Nevertheless, the Board recognises that the Group's System is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives in view of the limitations inherent in any internal control system. Accordingly, the System can only provide reasonable but not absolute assurance against material misstatement and loss.

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 department as part of their day-to-day duties.

A formal risk management framework is in place 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 2010.

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.

The principal activities of the subsidiaries are disclosed in more details in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the year	(1,898,117)	(6,169,339)
Owners of the parent	(2,909,357)	(6,169,339)
Minority interests	1,011,240	–
	(1,898,117)	(6,169,339)

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 other than the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement as disclosed in Note 2.2 to the financial statements.

DIVIDENDS

There were no dividends paid by the Company since 31 December 2009.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2010.

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	
Mohd Kamal bin Omar	*(appointed on 30 August 2010)*
Edmund Chuah Choong Eng Huat	*(vacation of office on 16 March 2011)*
Amirudin bin Mohd Baria	*(resigned on 1 June 2010)*

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee as shown in Note 8(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest required to be disclosed by Section 169 (8) of the Companies Act, 1965, other than as disclosed in Note 32 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 1.1.2010	**Bought**	**Sold**	**As at 31.12.2010**
		During the year		
Direct Interest:				
Dato' Abd. Gani bin Yusof	166,767,324	–	(4,600,000)	162,167,324
Dr Ng Tek Che	59,189,175	–	(26,000,000)	33,189,175
Liew Chiap Hong	40,903,459	–	(1,000,000)	39,903,459
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	–	–	3,714,285
Edmund Chuah Choong Eng Huat	185,714	–	(185,700)	14
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	130,027	–	(130,000)	27

By virtue of Dato' Abd. Gani bin Yusof interests in the shares of the Company, he is 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 2010 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and

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

(g) The Board 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 2010 were long outstanding receivables due from a related party and certain group of debtors totalling RM46,565,420 (2009:RM48,969,751). Included in the debtors' balances are also the retention sums on contracts of RM11,049,921 (2009:RM11,049,921) which was due as at the end of the previous financial year. Upon the adoption of FRS 139, the Board of Directors has assessed the carrying value of these receivables and based on the discounted cash flows over the expected collection period of a number of years, has provided for an impairment amount of RM20,344,806 on these debtors. Included in this amount of RM20,344,806 is the impairment related to retention sums of RM4,590,762. These debts are due for sub-contract work completed for the related party who is the main contractor and for certain debtors on certain federal public sector projects for the Government of Malaysia ("GOM"). 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 in the last financial year and that there are no further defects to be made good. During the year, the Group has also entered into a Deed of Assignment ("DOA") with the related party wherein the related party has irrevocably assigned to the Group absolutely all its rights, interests, benefits and title of the claims of these receivables from the GOM.

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 28 April 2011.

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 34 to 111 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 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 39 on page 112 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2011.

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 34 to 112 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 28 April 2011

Dr Ng Tek Che

Before me,

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Metronic Global Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 111.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As disclosed in Note 23(A) of the financial statements, the Group has long outstanding receivables due from a related party and certain group of debtors with their carrying amount totalling RM46,565,420 as at 31 December 2010, of which a total impairment amount of RM20,344,806 has been made. The net carrying amount of these debtors after the impairment provision is RM26,230,614. The impairment amount was determined by the management based on estimated timing of collection as disclosed in Note 3(b)(iii) of the financial statements. As we are unable to obtain sufficient appropriate evidence about the timing of collection of these debtors, we are unable to determine if any adjustment to the impairment amount and thus the carrying amount of these debtors is necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, 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 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated 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

The supplementary information set out in Note 39 on page 112 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
28 April 2011

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	4	**71,068,783**	59,512,692	**–**	2,681,242
Cost of sales	5	**(48,243,398)**	(41,408,918)	**–**	–
Gross profit		**22,825,385**	18,103,774	**–**	2,681,242
Other income	6	**1,135,004**	4,025,746	**2,725,111**	4,093,113
Administration expenses		**(4,375,478)**	(4,288,725)	**(603,615)**	(727,258)
Other operating expenses		**(22,395,464)**	(16,438,033)	**(8,290,835)**	(4,090,186)
(Loss)/profit from operations		**(2,810,553)**	1,402,762	**(6,169,339)**	1,956,911
Finance costs	7	**(595,014)**	(549,350)	**–**	–
Share of profit/(loss) of an associate		**1,951,950**	(1,768,599)	**–**	–
(Loss)/profit before taxation	8	**(1,453,617)**	(915,187)	**(6,169,339)**	1,956,911
Income tax expenses	9	**(444,500)**	(623,373)	**–**	–
(Loss)/profit for the year		**(1,898,117)**	(1,538,560)	**(6,169,339)**	1,956,911
Other comprehensive income:					
Available–for–sale financial assets					
- fair value changes	19	**(4,056,846)**	–	**(4,349,599)**	–
- transfer to profit or loss	8(a)	**3,866,310**	–	**3,866,310**	–
- transfer to profit or loss upon disposal		**(18,142)**	–	**–**	–
Foreign currency translation		**(1,517,639)**	(276,650)	**–**	–
Other comprehensive loss for the year, net of tax		**(1,726,317)**	(276,650)	**(483,289)**	–
Total comprehensive (loss)/income for the year, net of tax		**(3,624,434)**	(1,815,210)	**(6,652,628)**	1,956,911
(Loss)/profit attributable to:					
Owners of the parent		**(2,909,357)**	(2,085,998)	**(6,169,339)**	1,956,911
Minority interests		**1,011,240**	547,438	**–**	–
		(1,898,117)	(1,538,560)	**(6,169,339)**	1,956,911
Total comprehensive income attributable to:					
Owners of the parent		**(4,635,674)**	(2,362,648)	**(6,652,628)**	1,956,911
Minority interests		**1,011,240**	547,438	**–**	–
		(3,624,434)	(1,815,210)	**(6,652,628)**	1,956,911
Earnings per share (sen):					
Basic (loss)	10	**(0.46)**	(0.33)		
Diluted (loss)	10	**(0.46)**	(0.33)		

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

	Note	Group		Company	
		2010	2009	2010	2009
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	12	**10,698,635**	10,903,771	**–**	–
Investment properties	13	**398,682**	383,949	**–**	–
Intangible assets	14	**833,299**	2,037,560	**–**	–
Prepaid lease payment	15	**–**	499,017	**–**	–
Investment in subsidiaries	16	**–**	–	**27,244,430**	26,169,235
Investment in associate	17	**17,321,972**	17,086,078	**15,668,416**	15,668,416
Investment in joint venture	18	**–**	–	**220,850**	220,850
Available-for-sale financial assets	19	**6,213,058**	–	**5,316,176**	–
Other investments	20	**94,000**	9,197,401	**–**	8,699,198
Deferred tax assets	21	**8,490,526**	2,854,937	**–**	–
		44,050,172	42,962,713	**48,449,872**	50,757,699
Current assets					
Inventories	22	**2,384,257**	1,452,448	**–**	–
Trade receivables	23	**91,008,046**	90,519,038	**–**	–
Other receivables	23	**4,327,090**	1,509,468	**12,352,065**	14,994,799
Short term deposits	25	**8,179,679**	8,805,586	**–**	1,726,483
Cash and bank balances	26	**5,084,730**	7,216,058	**957,296**	111,459
		110,983,802	109,502,598	**13,309,361**	16,832,741
Total assets		**155,033,974**	152,465,311	**61,759,233**	67,590,440

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	27	**63,490,690**	63,490,690	**63,490,690**	63,490,690
Foreign currency translation reserve	28	**85,320**	1,602,959	**–**	–
Available-for-sale reserve	28	**1,013,900**	–	**483,288**	–
(Accumulated loss)/retained profits	29	**(11,483,038)**	7,746,581	**(5,006,337)**	992,115
		53,106,872	72,840,230	**58,967,641**	64,482,805
Minority interests		**2,234,215**	1,223,081	**–**	–
Total equity		**55,341,087**	74,063,311	**58,967,641**	64,482,805
Non-current liabilities					
Loans and borrowings	30	**293,392**	54,446	**–**	–
		293,392	54,446	**–**	–
Current liabilities					
Trade payables	31	**71,535,020**	52,270,739	**–**	–
Other payables	31	**16,699,034**	14,770,915	**2,791,592**	3,107,635
Loans and borrowings	30	**10,875,441**	10,712,100	**–**	–
Provision for taxation		**290,000**	593,800	**–**	–
		99,399,495	78,347,554	**2,791,592**	3,107,635
Total liabilities		**99,692,887**	78,402,000	**2,791,592**	3,107,635
Total equity and liabilities		**155,033,974**	152,465,311	**61,759,233**	67,590,440

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

Attributable to owners of the parent

	Non-Distributable			Distributable			
	Share capital	Foreign currency translation reserve	Available-for-sale reserve	Retained profits/ (accumulated loss)	Total	Minority interests	Total equity
	RM	RM	RM	RM	RM	RM	RM
Group							
At 1 January 2009	63,490,690	1,879,609	–	9,832,579	75,202,878	727,691	75,930,569
Total comprehensive (loss)/income	–	(276,650)	–	(2,085,998)	(2,362,648)	547,438	(1,815,210)
Transaction with owners:							
Disposal of a subsidiary (Note 16(c)(ii))	–	–	–	–	–	(52,048)	(52,048)
At 31 December 2009	63,490,690	1,602,959	–	7,746,581	72,840,230	1,223,081	74,063,311
At 1 January 2010	63,490,690	1,602,959	–	7,746,581	72,840,230	1,223,081	74,063,311
Effects of adopting FRS 139	–	–	1,222,578	(16,320,262)	(15,097,684)	–	(15,097,684)
As restated	63,490,690	1,602,959	1,222,578	(8,573,681)	57,742,546	1,223,081	58,965,627
Total comprehensive (loss)/income	–	(1,517,639)	(208,678)	(2,909,357)	(4,635,674)	1,011,240	(3,624,434)
Transaction with owners:							
Disposal of a subsidiary (Note 16(c)(i))	–	–	–	–	–	(106)	(106)
At 31 December 2010	63,490,690	85,320	1,013,900	(11,483,038)	53,106,872	2,234,215	55,341,087

	Non-Distributable		Distributable	
	Share capital	Available-for-sale reserve	Retained profits/ (accumulated loss)	Total equity
	RM	RM	RM	RM
Company				
At 1 January 2009	63,490,690	–	(964,796)	62,525,894
Total comprehensive income	–	–	1,956,911	1,956,911
At 31 December 2009	63,490,690	–	992,115	64,482,805
At 1 January 2010	63,490,690	–	992,115	64,482,805
Effects of adopting FRS 139	–	966,577	170,887	1,137,464
As restated	63,490,690	966,577	1,163,002	65,620,269
Total comprehensive loss	–	(483,289)	(6,169,339)	(6,652,628)
At 31 December 2010	63,490,690	483,288	(5,006,337)	58,967,641

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/profit before taxation	**(1,453,617)**	(915,187)	**(6,169,339)**	1,956,911
Adjustments for:				
Loss/(gain) on disposal of property, plant and equipment (Note 8(a))	**35,043**	(52,182)	**–**	–
Gain on disposal of available-for-sale financial assets (Note 8(a))	**(20,927)**	–	**–**	–
Gain/(loss) on disposal of a subsidiary (Note 8(a))	**–**	(3,729)	**–**	80,700
Gain on disposal of an associate (Note 8(a))	**–**	(2,473,868)	**–**	(2,853,205)
Unrealised foreign exchange loss (Note 8(a))	**304,610**	76,401	**–**	–
Depreciation of property, plant and equipment (Note 8(a))	**576,965**	558,524	**–**	–
Write-off of property, plant and equipment	**–**	200	**–**	–
Depreciation of investment properties (Note 8(a))	**5,267**	5,267	**–**	–
Amortisation of intangible assets (Note 8(a))	**904,573**	938,709	**–**	–
Amortisation of prepaid lease payment (Note 8(a))	**11,028**	13,277	**–**	–
Impairment loss on/ Write-off of intangible assets (Note 8(a))	**327,048**	1,057,453	**–**	–
Impairment loss on trade receivables (Note 8(a))	**2,435,226**	1,699,321	**–**	–
Write back of impairment loss on trade receivables (Note 8(a))	**(258,208)**	–	**–**	–
Interest income on financial guarantee (Note 6)	**–**	–	**(1,504,603)**	–
Bad debt written off (Note 8(a))	**–**	–	**223,246**	140,568
Impairment loss/(reversal of impairment loss) on available-for-sale financial assets (Note 8(a))	**3,866,310**	(88,721)	**3,866,310**	–
Reversal of impairment loss of investment properties (Note 8(a))	**(20,000)**	–	**–**	–
Impairment loss on other investment (Note 8(a))	**–**	144,897	**–**	144,897
Impairment loss of investment in subsidiaries (Note 8(a))	**–**	–	**1,846,658**	2,180,176
Provision for defect liabilities (Note 8(a))	**1,146,692**	956,617	**–**	–
Write-down of inventories (Note 8(a))	**75,266**	294,343	**–**	–
Share of (profit)/loss of associate	**(1,951,950)**	1,768,599	**–**	–
Finance costs (Note 7)	**595,014**	549,350	**–**	–
Interest income (Note 6)	**(181,627)**	(200,142)	**(20,508)**	(39,908)
Operating profit/(loss) before working capital changes	**6,396,713**	4,329,129	**(1,758,236)**	1,610,139
Changes in working capital:				
Inventories	**(1,007,075)**	364,318	**–**	–
Receivables	**(26,891,972)**	(4,859,095)	**2,408,992**	4,342,311
Payables	**19,492,658**	9,824,815	**(452,151)**	(1,402,835)
Net cash (used in)/generated from operations	**(2,009,676)**	9,659,167	**198,605**	4,549,615
Taxes (paid)/refunded	**(979,597)**	102,642	**–**	–
Interests paid	**(595,014)**	(549,350)	**–**	–
Interests received	**181,627**	200,142	**20,508**	39,908
Net cash (used in)/generated from operating activities	**(3,402,660)**	9,412,601	**219,113**	4,589,523

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note 16(b)(i)/Note 16(b)(i) and (ii))	**–**	(1,055,103)	**–**	(3,341,708)
Disposal of a subsidiary, net of cash disposed (Note 16(c)(ii))	**–**	(53,837)	**–**	81,800
Subscription of additional shares in subsidiaries (Notes 16(a)(i)/Note 16(b)(iii) and (iv))	**–**	–	**(1,099,759)**	(649,304)
Purchase of other investments (Note 20)	**–**	(144,897)	**–**	(144,897)
Purchase of property, plant and equipment (Note 12)	**(396,120)**	(566,761)	**–**	–
Purchase of intangible assets (Note 14)	**(27,360)**	(82,460)	**–**	–
Proceeds from disposal/acquisition of prepaid lease payment (Note 15)	**487,989**	(511,945)	**–**	–
Proceeds from disposal of property, plant and equipment	**44,694**	54,539	**–**	–
Proceeds from disposal of available-for-sale financial assets	**58,860**	–	**–**	–
Net cash used in investing activities	**168,063**	(2,360,464)	**(1,099,759)**	(4,054,109)
Cash flows from financing activities				
(Placement)/withdrawal of fixed deposits under lien with licensed banks	**178,397**	596,595	**1,726,483**	(623,400)
Drawdown of bankers' acceptances	**14,134,220**	14,779,982	**–**	–
Repayment of bankers' acceptances	**(15,995,207)**	(12,639,991)	**–**	–
Drawdown of short term loans	**4,579,238**	–	**–**	–
Repayment of short term loans	**(1,240,126)**	(5,929,020)	**–**	–
Repayment of obligation under finance leases	**(46,950)**	(11,899)	**–**	–
Net cash generated from/(used in) financing activities	**1,609,572**	(3,204,333)	**1,726,483**	(623,400)
Net (decrease)/increase in cash and cash equivalents	**(1,625,025)**	3,847,804	**845,837**	(87,986)
Effects of foreign exchange rate changes	**450,448**	(72,717)	**–**	–
Cash and cash equivalents at beginning of the year	**4,706,630**	931,543	**111,459**	199,445
Cash and cash equivalents at end of the year (Note 26)	**3,532,053**	4,706,630	**957,296**	111,459
Cash and cash equivalents at the reporting date comprise the following (Note 26):				
Cash and bank balances	**5,084,730**	7,216,058	**957,296**	111,459
Fixed deposits with licensed banks	**781,180**	1,228,690	**–**	–
Bank overdrafts (Note 30)	**(2,333,857)**	(3,738,118)	**–**	–
	3,532,053	4,706,630	**957,296**	111,459

The accompanying accounting policies and explanatory 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.

The principal activities of the subsidiaries are disclosed in more details in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

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

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

2.2 Changes in accounting policies

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

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and Issues Committee (“IC”) Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First–time Adoption of Financial Reporting Standards and FRS 127 Consolidation and Separate Financial Statement: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share–based Payment: Vesting Conditions and Cancellations
Amendments to FRS132	Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

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

2.2 Changes in accounting policies (cont'd)

The following amendments are part of the MASB's improvement projects in the document entitled "Improvements to FRSs (2009)"

Amendment to FRS 5	Non–current Assets Held For Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendment to FRS 131	Interests in Joint Ventures
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i–3	Presentation of Financial Statements of Islamic Financial Institutions

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies

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

(i) FRS 7: Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the group is exposed to risk based on information provided internally to the entiry's key management personnel.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

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

2.2 Changes in accounting policies (cont'd)

(ii) FRS 8: Operating Segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the geographical segments previously identified under FRS 114. The Group also presented its segmental information by products and services. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 38 to the financial statements. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, together with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

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 classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 37).

The Group has adopted the revised FRS 101 retrospectively. The comparative financial information on the consolidated statement of comprehensive income has been re-presented as summarised below so that it is in conformity with the revised standard.

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

2.2 Changes in accounting policies (cont'd)

(iii) FRS 101 : Presentation of Financial Statements (revised) (cont'd)

Since the changes affect only the presentation aspects, there is no impact on the Group's and the Company's results or financial position.

	Income statement As reported RM	Effects of adopting FRS 101 RM	Statement of comprehensive income As restated RM
Group			
2009			
Loss for the year	(1,538,560)	–	(1,538,560)
Other comprehensive loss			
Exchange loss on translation of foreign operations	–	(276,650)	(276,650)
Total comprehensive loss for the year, net of tax	(1,538,560)	(276,650)	(1,815,210)
Company			
2009			
Profit for the year, representing total comprehensive income for the year, net of tax	1,956,911	–	1,956,911

(iv) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non–financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are as set out below:

– ***Equity Instruments***

Prior to 1 January 2010, the Group and the Company classified their investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM10,325,979 and RM9,665,775 for the Group and the Company respectively. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at 1 January 2010.

	As at 1.1.2010 RM	Effects of adopting FRS 139 RM	As restated as at 1.1.2010 RM
Group			
Assets			
Other investments *	9,197,401	(9,103,401)	94,000
Available–for–sale financial assets	–	10,325,979	10,325,979
Equity			
Other reserves – Available–for sale reserve	–	1,222,578	1,222,578

* This restated amount relates to golf club membership which is carried at cost less impairment loss as disclosed in Note 20.

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

2.2 Changes in accounting policies (cont'd)

(iv) FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

– ***Equity Instruments (cont'd)***

	As at 1.1.2010 RM	Effects of adopting FRS 139 RM	As restated as at 1.1.2010 RM
Company			
Assets			
Other investments	8,699,198	(8,699,198)	–
Available–for–sale financial assets	–	9,665,775	9,665,775
Equity			
Other reserves – Available–for–sale reserve	–	966,577	966,577

– ***Impairment of trade receivables***

Prior to 1 January 2010, provision for doubtful debts was recognised when trade receivables was considered uncollectible. Upon the adoption of FRS139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

	As at 1.1.2010 RM	Effects of adopting FRS 139 RM	As restated as at 1.1.2010 RM
Group			
Assets			
Trade receivables	90,519,038	(21,760,262)	68,758,776
Deferred tax assets	2,854,937	5,440,000	8,294,937
Equity			
Retained earnings/ (accumulated loss)	7,746,581	(16,320,262)	(8,573,681)

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

2.2 Changes in accounting policies (cont'd)

(iv) FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

– ***Financial guarantee contracts***

During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the Company recorded the financial guarantees off–balance sheet unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

The fair value of financial guarantees is derived from interest rate differential based on bankers' quotation with and without financial guarantees in respect to the bank loans at the reporting date. The fair value or the costs of financial guarantees are deemed as financial support of the parent and are capitalized into the costs of investment of respective subsidiaries.

	As at 1.1.2010 RM	Effects of adopting FRS 139 RM	As restated as at 1.1.2010 RM
Company			
Assets			
Investment in subsidiaries	26,169,235	1,615,329	27,784,564
Current liabilities			
Other payables – Financial guarantees	–	1,433,787	1,433,787
Equity			
Retained earnings	992,115	181,542	1,173,657

– ***Inter–company loans***

During the current and prior years, the Company granted interest-free loans and advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139 the amount of the loss is measured as the difference between the amounts due from receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Company has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

	As at 1.1.2010 RM	Effects of adopting FRS 139 RM	As restated as at 1.1.2010 RM
Company			
Assets			
Other receivables	12,352,065	(10,655)	12,341,410
Equity			
Retained earnings	992,115	(10,655)	981,460

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

2.2 Changes in accounting policies (cont'd)

(iv) FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

The following are effects arising from the above changes in accounting policies:

	Increase/(decrease) As at 31 December 2010 RM	As at 1 January 2010 RM
Statements of financial position		
Group		
Available–for–sale financial assets	(4,056,846)	10,325,979
Other investments	–	(9,103,401)
Deferred tax assets	232,573	5,440,000
Trade receivables	(930,291)	(21,760,262)
Retained earnings	(697,718)	(16,320,262)
Other reserves – available–for–sale reserve	(208,678)	1,222,578

	2010 RM
Statements of comprehensive income	
Group	
Other operating expenses	930,291
Loss before taxation	930,291
Income tax expenses	(232,573)
Loss for the year	697,718
Other comprehensive loss:	
Fair value loss on available–for–sale financial assets	
– fair value changes	4,056,846
– transfer to profit or loss	(3,866,310)
– transfer to profit or loss upon disposal	18,142
Other comprehensive loss for the year, net of tax	208,678
Total comprehensive loss for the year, net of tax	906,396

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

2.2 Changes in accounting policies (cont'd)

(iv) FRS 139 Financial Instruments: Recognition and Measurement (cont'd)

	Increase/(decrease)	
	As at 31 December 2010 RM	As at 1 January 2010 RM
Statements of financial position		
Company		
Investment in subsidiaries	206,924	1,615,329
Available–for–sale financial assets	(4,349,599)	9,665,775
Other investments	–	(8,699,198)
Other receivables		
– Amount due from subsidiaries	–	(10,655)
Other payables		
– Financial guarantees liabilities	(1,297,679)	1,433,787
Retained earnings	1,504,603	170,887
Other reserves – Available–for–sale reserve	(483,289)	966,577

	2010 RM
Statements of comprehensive income	
Company	
Other income	1,504,603
Other operating expenses	–
Profit before taxation	1,504,603
Income tax expenses	–
Profit for the year	1,504,603
Other comprehensive loss:	
Fair value loss on available–for–sale financial assets	
– fair value changes	483,289
Other comprehensive loss for the year, net of tax	483,289
Total comprehensive profit for the year, net of tax	1,021,314

2.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, new FRSs, Amendments to FRSs and Interpretations which were issued but not yet effective, for which the Group and the Company have not early adopted are as follows:

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Financial Instruments: Presentation (paragraphs 11, 16 and 97E relating to classification of Right Issues)

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

2.3 Standards issued but not yet effective (cont'd)

Effective for financial periods beginning on or after 1 July 2010

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

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1: First–time Adoption of Financial Reporting Standards
– Limited Exemption from Comparative FRS 7 Disclosure for First–time Adopters
Amendments to FRS 1: Additional Exemption for First–Time Adopters
– Additional Exemptions for First–time Adopters
Amendments to FRS 2: Share–based Payment – Group Cash–settled
Share–based Payment Transactions
Amendments to FRS 7: Financial Instruments : Disclosures
– Improving Disclosures about Financial Instruments
IC Interpretation 4: Determining Whether an Arrangement Contains a Lease
IC Interpretation 18: Transfer of Assets from Customers
MASB's improvement projects in the document entitled "Improvements to FRSs (2010)"
Amendments to FRS 1: First–time Adoption of Financial Reporting Standards
– Accounting policy changes in the year of adoption
– Revaluation basis as deemed cost
– Use of deemed cost for operations subject to rate regulation
Amendments to FRS 3: Business Combinations
– Measurement of non–controlling interests
– Un–replaced and voluntarily replaced share–based payment awards
Amendments to FRS 7: Financial Instruments: Disclosures
– Clarification of disclosures
– Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised FRS (consequential amendments arising from improvements to FRSs (2010) – FRS 3
Amendments to FRS 101: Presentation of Financial Statements
– Clarification of statements of changes in equity
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates
– Transition requirements for amendments arising as a result of FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 128: Investments in Associates
– Transition requirements for amendments arising as a result of FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 131: Interests in Joint Ventures
– Transition requirements for amendments arising as a result of FRS 127 Consolidated and Separate Financial Statements

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

2.3 Standards issued but not yet effective (cont'd)

Effective for financial periods beginning on or after 1 January 2011 (cont'd)

Amendments to FRS 132: Financial Instruments: Presentation
– Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised FRS (consequential amendments arising from Improvements to FRSs (2010) – FRS 3
Amendments to FRS 134: Interim Financial Reporting – Significant events and transactions
Amendments to FRS 139: Financial Instruments & Recognition and Measurement
– Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised FRS (consequential amendments arising from Improvements to FRSs (2010) – FRS 3
IC Interpretation 13: Customer Loyalty Programmes – Fair value of award credits

Effective for financial periods beginning on or after 1 July 2011

Amendments to IC Interpretation 14, FRS 119
– The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
– Prepayments of a Minimum Funding Requirement
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

Effective for financial periods beginning on or after 1 January 2012

FRS124: Related Party Disclosures
IC Interpretation 15: Agreement for the Construction of Real Estate
Amendments to IC Interpretation 15: Agreement for the Construction of Real Estate

The Group and the Company plan to apply the above FRSs and Interpretations, once they become effective. The adoption of these FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and of the Company other than as discussed below:

(i) FRS 3: Business Combinations (Revised)

The revised FRS 3 will result in a change in the accounting for business combinations occurring on or after 1 July 2010.

- The definitions of a "business" and a "business combination" have been amended and additional guidance was added for identifying when a group of assets constitutes a business.
- Minority interest (which will be known as non–controlling interest) must be measured either at fair value or at its proportionate share of the acquiree's net identifiable assets.
- The recognition of contingencies acquired in a business combination that do not meet the definition of a liability is no longer permitted.
- Costs incurred in connection with a business combination must be accounted for separately from the business combination, which usually means that they are recognised as expenses rather than included in goodwill.
- Contingent consideration will be measured and recognised at fair value at the acquisition date and subsequent changes in fair value of contingent considerations classified as liabilities are recognised in accordance with FRS 139, FRS 137 or other FRSs as appropriate, rather than by adjusting goodwill.

The Group will adopt the revised FRS 3 prospectively in accordance with the transitional provisions of the revised Standard to business combinations for which the acquisition date is on or after 1 July 2010.

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

2.3 Standards issued but not yet effective (cont'd)

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

The main amendments made to FRS 127 are as follows:

– The term "minority interest" will be replaced by the term "non-controlling interest".

– The total comprehensive income shall be attributed to the owners of the parent and to the non–controlling interest even if this results in the non–controlling interest having a deficit balance. Currently, excess losses are allocated to the owners of the parent, except to the extent that the non–controlling interest had a binding obligation and was able to make an additional investment to cover the losses.

– Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control shall be accounted for as equity transactions. There is no requirements for such transactions in the current FRS.

(iii) Amendments to FRS 7: Financial Instruments : Disclosures – Improving Disclosures about Financial Instruments

The amendments require enhanced disclosures about fair value measurements and liquidity risk. In particular, for fair value measurements recognised in the statement of financial position, the amendments require the following disclosures for each class of financial instruments:

– the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the three-level of fair value measurement hierarchy which are Level 1, Level 2 and Level 3;

– discussion about significant transfers between the Level 1 and Level 2 and such discussion should be disclosed separately between transfer into and transfer out of each level of hierarchy; and

– detailed disclosures for fair value measurements in Level 3 of the fair value hierarchy.

The Group will adopt the amendments to FRS 7 prospectively in accordance with the transitional provisions of the amended Standard. As the changes only results in additional disclosures, there will be no impact on earnings per share.

(iv) IC Interpretation 17: Distribution of Non–cash Assets to Owners

IC Interpretation 17 provides guidance on accounting for arrangements for distribution of non-cash assets to shareholders either as a distribution of reserves or as dividends.

FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

The application of the IC Interpretation 17 is not expected to have a material impact on the Group.

(v) Improvement to FRS 5: Non–current Assets Held for Sale and Discontinued Operations

Improvement to FRS 5 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

(vi) Improvement to FRS 138: Intangible Assets

Improvement to FRS 138 clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.

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

2.3 Standards issued but not yet effective (cont'd)

(vii) Improvement to FRS 101: Presentation of Financial Statements

Improvement to FRS 101 clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

(viii) Improvement to FRS 134: "Interim Financial Reporting"

Improvement to FRS 134 requires disclosure of additional significant events and transactions in the entity's interim financial report.

All the above standards, amendments to published standards and IC Interpretations will be effective for the Group's and the Company's financial year beginning 1 January 2011.

The adoption of the above standards, amendments to published standards and IC Interpretations are not expected to have a material impact on the Group and the Company.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra–group balances, income and expenses and unrealised gains and losses resulting from intra–group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.13(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination represents negative goodwill, which is recognised immediately as income directly in the Statements of Comprehensive Income on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with minority interests

Minority interests represent the portion of profit and loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss disposal to minority interests is recognised directly in equity.

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

2.6 Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

2.7 Associates

An Associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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.

The Group's investment in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post–acquisition changes in the Group's share of net assets of the associates.

Goodwill relating to an associate is included in the carrying amount of the investment. 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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 Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses are recognised in the profit or loss.

For incremental interest in associates, the date of acquisition is the date at which significant influence is obtained.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in equity, and is recognised in the Statements of Comprehensive Income.

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

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

2.8 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, its investment in joint venture 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.

2.9 Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceases become its cost on initial measurement as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

2.10 Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

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

2.10 Foreign currency (cont'd)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.11 Property, plant and equipment and depreciation

(i) Cost

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment and furniture and fixtures except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, it's cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

(ii) Depreciation

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

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

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

Freehold land is not depreciated as it has an infinite life.

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

(iii) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. A write down is made if the carrying value exceeds the recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14.

(iv) Gains or Losses on Disposal

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

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

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

(v) Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

2.12 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 2.14. 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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.11 up to the date of change in use.

2.13 Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash–generating units that are expected to benefit from the synergies of the combination.

The cash–generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within the cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Computer software

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

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

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

2.13 Intangible assets (cont'd)

(ii) Research and development costs

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

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

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

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

2.14 Impairment of non–financial assets

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the assets is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.15 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, the directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets. The Group does not have any financial assets at fair value through profit and loss and held-to-maturity financial assets.

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

2.15 Financial assets (cont'd)

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables comprise trade and other receivables, amounts due from related companies and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(ii) Available-for-sale financial assets

Available–for–sale financial assists are financial assets that are designated as available for sale or are not classified in any other categories of financial assets. The Group's and the Company's available for sale financial assets comprise investment securities.

After initial recognition, available–for–sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available–for–sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial assets is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

2.16 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial assets is impaired.

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties

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

2.16 Impairment of financial assets (cont'd)

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

of the debtors and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivable could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments, excluding deposits pledged for banking facilities, that are readily convertible to known amount of cash and which are subject to an significant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.18 Engineering contracts

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

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

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2.18 Engineering contracts (cont'd)

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

2.19 Inventories

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

2.20 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.21 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

There is no financial liabilities at fair value through profit or loss in the Group and the Company. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of guarantee. If the debtor fails to make payment relation to financial guarantee contracts when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation. As at the financial year-end date, the financial guarantees provided by the Company to banks are in connection with the banking facilities granted to subsidiaries.

2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.24 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

(iii) Termination benefits

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

2.25 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportionated between the finance charges and reduction of the lease liability so as to achieve a consent rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

2.25 Leases (cont'd)

As lessee (cont'd)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight–line basis.

2.26 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.27 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(i) Contract revenue

Contract revenue is recognised based on the stage of completion method as described in Note 2.18.

(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 using the effective interest method.

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

2.28 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.29 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in the period in they are declared.

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

2.30 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.31 Segment reporting

For management purpose, the Group is organised into geographical and operating segments based on their activities, products and services which are independently managed by the Divisional Directors responsible for the performance of the respective segments under their charge. The Divisional Directors report directly to the Group's chief operating decision maker who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of available–for–sale financial assets

The Group reviews its available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available–for–sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and the extent to which the fair value of an investment is less than its cost. During the year, the Group and the Company use 30% and 6 months as the triggers for "significant" and "prolonged" respectively for the purpose of assessing impairment.

For the financial year ended 31 December 2010, the amount of impairment loss recognised for available-for-sale financial assets was RM3,866,310 (2009:RMNil).

(b) Key sources of estimation uncertainty

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

(i) Engineering contracts

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

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

A 10% difference in the estimated total engineering contracts revenue would result in approximately 7% variance in the Group's revenue. A 10% difference in the estimated total engineering contracts would result in approximately 9% variance in the Group's cost of sales.

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

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

(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 2010 is RM457,564 (2009: RM1,523,937).

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) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default of significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristic. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 23.

<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 RM44,450,738 (2009: RM46,855,069), is over the normal credit period given to customers. Included in this RM44,450,738 is the retention amount of RM10,530,270 (2009: RM10,530,270) which is due upon the expiry of the warranty in last financial year 2009.

There are also balances due from certain group of debtors of RM2,114,682 (2009: RM2,114,682) 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 RM519,651 (2009: RM519,651) which is due upon the expiry of the warranty in last financial year.

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 in last financial year and that there are no further defects to be made good. 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. During the year, the Group has also entered into a Deed of Assignments ("DOA") with the related party wherein the related party has irrevocably assigned to the Group absolutely all its rights, interest, benefits and title of the claims of these receivables from the Government of Malaysia ("GOM").

The Board of Directors has assessed the carrying value of these receivables and based on the discounted cash flows over the expected collection period of a number of years, and has provided for an impairment amount of RM20,344,806 on these debtors. Included in this amount of RM20,344,806 is the impairment related to retention sums of RM4,590,762. The estimated timeframe was solely based on management's estimates. No empirical evidence was available to derive at this estimated timeframe of collection.

<u>Other Retention sums</u>
In respect of certain projects where the Group has performed works as sub-contractors, management has assessed the carrying value of these amount based on the discounted cash flows over the expected collection period of one (1) to three (3) years and has provided an impairment of RM1,969,065. The estimated expected collection timeframe was based on management's past experience.

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

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

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

(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 reporting 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.

The management's assessments have provided reasonable assumptions that the carrying amounts of investment in associates at the reporting 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 reporting date. This involves measuring the recoverable amounts which include fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flow analysis and estimates that provide reasonable approximations to the computation of recoverable amounts.

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

Based on the management's assessment, the Company has recognised an impairment loss on investment in subsidiaries amounting to RM1,846,658 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.

4. REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Contract work	**50,325,601**	42,181,482	**–**	–
Maintenance services	**10,177,917**	9,520,274	**–**	–
Sale of equipment	**1,747,055**	2,084,410	**–**	–
Administration and consultancy services	**8,818,210**	5,726,526	**–**	–
Dividend income from an associate	**–**	–	**–**	2,681,242
	71,068,783	59,512,692	**–**	2,681,242

5. COST OF SALES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Contract costs (Note 24)	**43,513,274**	35,998,295	**–**	–
Maintenance services	**3,235,145**	3,665,667	**–**	–
Cost of equipment sold	**1,494,979**	1,744,956	**–**	–
	48,243,398	41,408,918	**–**	–

6. OTHER INCOME

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Interest income	**181,627**	200,142	**20,508**	39,908
Interest income on financial guarantee (Note 2.22)	**–**	–	**1,504,603**	–
Reversal of impairment loss of investment property (Note 13)	**20,000**	–	**–**	–
Gain on disposal of property, plant and equipment	**–**	52,182	**–**	–
Gain on disposal of available–for–sale financial assets	**20,927**	–	**–**	–
Gain on disposal of an associate	**–**	2,473,868	**–**	2,853,205
Recovery of impairment loss on trade receivables	**559,391**	1,017,749	**–**	–
Management fee	**–**	–	**1,200,000**	1,200,000
Rental income	**24,000**	24,000	**–**	–
Interest from overdue debtors	**–**	249,184	**–**	–
Processing fee	**315,354**	4,202	**–**	–
Miscellaneous	**13,705**	4,419	**–**	–
	1,135,004	4,025,746	**2,725,111**	4,093,113

7. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Interest expense on:				
Short term borrowing	**163,605**	156,548	**–**	–
Bank overdraft	**197,691**	184,090	**–**	–
Bankers' acceptances	**225,130**	204,701	**–**	–
Obligation under finance lease	**8,588**	4,011	**–**	–
Total interest expense	**595,014**	549,350	**–**	–

8. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(a) After charging/(crediting):				
Staff costs (Note 8(c))	**12,657,496**	11,515,528	**756,019**	746,841
Auditors' remuneration				
Statutory audits:				
– parent auditors	**162,000**	152,000	**68,000**	68,000
– other auditors	**88,433**	79,532	**–**	–
– under provision in prior year	**5,988**	26,666	**–**	10,000
Other services:				
– parent auditors	**40,000**	–	**40,000**	–
Depreciation of property, plant and equipment (Note 12)	**576,965**	558,524	**–**	–
Amortisation of intangible assets (Note 14)	**904,573**	938,709	**–**	–
Impairment loss on/ Write–off of intangible assets (Note 14)	**327,048**	1,057,453	**–**	–
Amortisation of prepaid lease payment (Note 15)	**11,028**	13,277	**–**	–
Directors' remunerations (Note 8(b))	**1,236,312**	1,126,451	**804,962**	811,004
Rental income	**(24,000)**	(24,000)	**–**	–
Rental expense	**290,340**	451,310	**12,000**	12,000
Foreign exchange losses				
– realised	**186,090**	88,821	**–**	–
– unrealised	**304,610**	76,401	**–**	–
Impairment loss on trade receivables (Note 23(A))	**2,435,226**	1,699,321	**–**	–
Impairment loss/(reversal of impairment loss) on available–for–sale financial assets (Note 19)				
– quoted equity instruments	**3,866,310**	–	3,866,310	–

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
(a) After charging/(crediting) (cont'd.):				
Impairment loss on other investment (Note 20)	**–**	144,897	**–**	144,897
Depreciation of investment properties (Note 13)	**5,267**	5,267	**–**	–
Reversal of impairment loss of investment properties (Note 13)	**(20,000)**	–	**–**	–
Provision for defect liabilities (Note 24)	**1,146,692**	956,617	**–**	–
Impairment loss of investment in subsidiaries (Note 16)	**–**	–	**1,846,658**	2,180,176
Write–down of inventories	**75,266**	294,343	**–**	–
Interest income				
– short term deposits	**(176,827)**	(196,142)	**(20,508)**	(39,908)
– financial guarantees granted in respect of subsidiaries (Note 2.22)	**–**	–	**(1,504,603)**	–
– loan stocks	**(4,800)**	(4,000)	**–**	–
Gain on disposal of available–for–sale financial assets	**(20,927)**	–	**–**	–
(Loss)/gain on disposal of property, plant and equipment	**35,043**	(52,182)	**–**	–
(Gain)/loss on disposal of a subsidiary (Note 16(c)(ii))	**–**	(3,729)	**–**	80,700
Gain on disposal of an associate (Note 17(b))	**–**	(2,473,868)	**–**	(2,853,205)

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

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
(a) After charging/(crediting) (cont'd.):				
Bad debts written off	**–**	–	**223,246**	140,568
Recovery of impairment loss on trade receivables (Note 23(A))	**(559,391)**	(1,017,749)	**–**	–
Write back of impairment loss on trade receivables (Note 23(A))	**(258,208)**	–	**–**	–

(b) Directors' remuneration:

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

	Company 2010 RM	Company 2009 RM
(i) Directors of the company:		
Executive directors' remuneration:		
Fees	**36,000**	36,000
Defined contribution benefit	**73,542**	73,584
Other emoluments	**629,420**	629,420
	738,962	739,004
Non–executive directors' remuneration:		
Fees	**66,000**	72,000
Total	**804,962**	811,004

	Group 2010 RM	Group 2009 RM
(ii) Directors of the subsidiaries:		
Executive directors' remuneration:		
Fees	**–**	14,548
Defined contribution benefit	**664**	–
Other emoluments	**430,686**	300,899
	431,350	315,447

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

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

	Group	
	2010	**2009**
	RM	**RM**
(ii) **Directors of the subsidiaries (cont'd):**		
Non–executive directors' remuneration:		
Fees	**–**	–
Total	**431,350**	315,447
Total directors' remuneration	**1,236,312**	1,126,451

(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	
	2010	**2009**
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**	3
Past director:		
Below RM50,000	**1**	–

(c) Employee information

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Staff costs (excluding directors' emoluments):				
Salary, wages and bonus	10,377,451	9,309,005	629,543	616,481
Defined contribution benefit	1,171,048	1,044,850	75,914	68,765
Other staff related expenses	1,108,997	1,161,673	50,562	61,595
	12,657,496	11,515,528	756,019	746,841

9. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Malaysian taxation based				
on the results for the year:				
– Current	**651,300**	1,133,800	**–**	–
– Over provision in prior years	**(9,800)**	(69,606)	**–**	–
Deferred tax (Note 21)				
– Relating to origination				
and reversal of temporary differences	**(169,000)**	(470,370)	**–**	–
– (Over)/under provision in prior year	**(28,000)**	29,549	**–**	–
	444,500	623,373	**–**	–

A reconciliation between tax expense and the product of accounting profit multiplies by the applicable corporate tax rate for the year ended 31 December 2010 and 2009 are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(Loss)/profit before taxation	(1,453,617)	(915,187)	(6,169,339)	1,956,911
Taxation at the statutory				
tax rate of 25% (2009: 25%)	(363,404)	(228,797)	(1,542,335)	489,228
Effect of different tax rate in subsidiaries	(22,531)	73,376	–	–
Effect of expenses not deductible for tax purposes	2,275,747	1,265,689	1,919,082	874,336

9. INCOME TAX EXPENSE (CONT'D)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Utilisation of previously unrecognised tax losses	**–**	(122,845)	**–**	–
Effects of share of (profit)/loss of associates	**(487,987)**	442,150	**–**	–
Effect of income not subject to tax	**(1,036,470)**	(1,012,245)	**(376,747)**	(1,363,564)
Over provision of tax expense in prior years	**(9,800)**	(69,606)	**–**	–
(Over)/under provision of deferred tax in prior year	**(28,000)**	29,549	**–**	–
Deferred tax assets not recognised	**116,945**	246,102	**–**	–
	444,500	623,373	**–**	–

10. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated by dividing the net profit/(loss) for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year as there are no potential ordinary share issues.

	2010	**2009**
Loss attributable to ordinary equity holders of the Company (RM)	**(2,909,357)**	(2,085,998)
Weighted average number of ordinary shares in issue	**634,906,903**	634,906,903
Basic/diluted loss per share (sen)	**(0.46)**	(0.33)

11. DIVIDENDS

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2010.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Freehold buildings	Leasehold building	Motor vehicles	Furniture, fittings and equipment	Renovations	Total 2010
	RM	RM	RM	RM	RM	RM	RM
Cost							
At 1 January 2010	1,223,566	4,440,919	4,784,933	91,652	3,076,955	670,134	14,288,159
Additions	–	–	–	48,025	590,766	132,703	771,494
Disposals	–	–	–	–	(180,408)	–	(180,408)
Exchange differences	–	–	(328,777)	–	(41,802)	(8,798)	(379,377)
At 31 December 2010	1,223,566	4,440,919	4,456,156	139,677	3,445,511	794,039	14,499,868
Accumulated depreciation and impairment							
At 1 January 2010	–	525,174	452,755	41,583	2,199,969	164,907	3,384,388
Depreciation charge for the year (Note 8(a))	–	92,065	90,709	37,176	326,143	30,872	576,965
Disposals	–	–	–	–	(104,112)	–	(104,112)
Exchange differences	–	–	(32,695)	(139)	(21,176)	(1,998)	(56,008)
At 31 December 2010	–	617,239	510,769	78,620	2,400,824	193,781	3,801,233
Net carrying value							
As at 31 December 2010	1,223,566	3,823,680	3,945,387	61,057	1,044,687	600,258	10,698,635

Assets pledged as security

The freehold land and buildings with a total net carrying value of RM5,047,246 (2009: RM5,139,311) are charged to licensed banks for banking facilities granted to the Group (Note 30 and Note 34).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM12,600 (2009: RM37,800).

Assets held under finance leases

During the financial year, the Group acquired furniture, fitting and equipments with an aggregate cost of RM375,374 (2009: RMNil) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM396,120 (2009: RM566,761).

The carrying amount of furniture, fitting and equipments held under finance leases at the reporting date were RM301,344 (2009: RMNil).

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

Group	Freehold land	Freehold buildings	Leasehold building	Motor vehicles	Furniture fittings and equipment	Renovations	Total 2009
	RM	RM	RM	RM	RM	RM	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 subsidiary (Note 16(c)(ii))	–	–	–	(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 8(a))	–	92,065	98,284	38,502	295,868	33,805	558,524
Disposals	–	–	–	(210,968)	(152,018)	–	(362,986)
Disposal of subsidiary (Note 16(c)(ii))	–	–	–	(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

13. INVESTMENT PROPERTIES

Group	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Cost				
At 1 January 2010/At 31 December 2010	245,909	179,644	362,979	788,532
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2010	95,909	38,644	270,030	404,583
Reversal of impairment loss (Note 6)	(20,000)	–	–	(20,000)
Depreciation charge (Note 8(a))	–	3,000	2,267	5,267
At 31 December 2010	75,909	41,644	272,297	389,850
Net carrying value				
At 31 December 2010	170,000	138,000	90,682	398,682
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 8(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

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

13. INVESTMENT PROPERTIES (CONT'D)

The following investment properties are held under lease terms:

	Group	
	2010	2009
	RM	RM
Leasehold building	**90,682**	92,949

All investment properties are pledged as securities for borrowings (Note 30).

14. INTANGIBLE ASSETS

Group	Software RM	Development Costs RM	Goodwill RM	Total RM
Cost				
At 1 January 2009	1,416,166	3,681,092	–	5,097,258
Additions				
– purchased	64,700	17,760	–	82,460
– acquired subsidiary (Note 16(b)(i))	–	–	1,057,453	1,057,453
Write–off (Note 8 (a))	–	–	(1,057,453)	(1,057,453)
At 31 December 2009 and 1 January 2010	1,480,866	3,698,852	–	5,179,718
Additions				
– purchased	22,500	4,860	–	27,360
At 31 December 2010	1,503,366	3,703,712	–	5,207,078
Accumulated Amortisation and Impairment				
At 1 January 2009	764,752	1,438,697	–	2,203,449
Amortisation (Note 8(a))	202,491	736,218	–	938,709
At 31 December 2009 and 1 January 2010	967,243	2,174,915	–	3,142,158
Amortisation (Note 8(a))	160,388	744,185	–	904,573
Impairment loss (Note 8(a))	–	327,048	–	327,048
At 31 December 2010	1,127,631	3,246,148	–	4,373,779
Net carrying value				
As at 31 December 2010	**375,735**	**457,564**	**–**	**833,299**
As at 31 December 2009	513,623	1,523,937	–	2,037,560

14. INTANGIBLE ASSETS (CONT'D)

(a) Development Costs

The development costs relate to the development of Power Line Communication Controller for Smart Home, 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.

During the financial year, an impairment loss was recognised to write-down the carrying amount of Power Line Communication Controller for Smart Home Automation System. The impairment loss of RM327,048 has been recognised in the Statements of Comprehensive Income under the line item "other operating expenses".

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	
	2010	**2009**
	%	**%**
Budgeted gross margin	**30.0**	15.0 – 40.0
Growth rate	**20.0 – 25.0**	10.0 – 25.0
Discount rate	**6.5**	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.

15. PREPAID LEASE PAYMENT

	Group	
	Leasehold Land	Total
	RM	RM
Cost		
At 1 January 2009	–	–
Additions	511,945	511,945
At 31 December 2009 and 1 January 2010	511,945	511,945
Disposal	(511,945)	(511,945)
At 31 December 2010	–	–
Accumulated Amortisation of prepaid lease payment		
At 1 January 2009	–	–
Amortisation charge (Note 8(a))	13,277	13,277
Foreign currency translation differences	(349)	(349)
At 31 December 2009 and 1 January 2010	12,928	12,928
Amortisation charge (Note 8(a))	11,028	11,028
Disposal	(23,282)	(23,282)
Foreign currency translation differences	(674)	(674)
At 31 December 2010	–	–
Net carrying value		
As at 31 December 2010	–	–
As at 31 December 2009	499,017	499,017

The Group has land use rights of water supply project land in the People's Republic of China ("PRC") where the Group's PRC water treatment plant reside. The land use rights have lapsed upon termination of build, operate and transfer ("BOT") water concession agreement with Lai'An County, Anhui Province in the PRC (See Note 16(a)).

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2010	2009
	RM	RM
Unquoted shares, at cost		
In Malaysia,	**23,954,596**	23,954,596
Outside Malaysia	**10,245,790**	9,146,190
	34,200,386	33,100,786
Less: Accumulated impairment losses	**(8,778,209)**	(6,931,551)
Add: Provision of financial guarantees by the parent	**1,822,253**	–
	27,244,430	26,169,235

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Equity Interest held 2010 %	2009 %	Principal activities
Metronic Engineering Sdn. Bhd.	Malaysia	**100**	100	Procurement of contracts in relation to engineering work specialising in the field of intelligent building management system, integrated security management system, and sale of engineering equipment; e-project management of mechanical and electrical services; and supply of engineering systems.
Metronic Integrated System Sdn. Bhd.	Malaysia	**100**	100	Maintenance of intelligent building management system and integrated security management system.
Metronic Microsystem (Beijing) Company Limited*	People's Republic of China	**100**	100	Dormant.
Metronic Engineering Private Limited*	India	**70**	70	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and integrated securitymanagement 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	Deregistered.
Securetrax Solutions Private Limited*	Singapore	**99**	99	Dormant.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Country of incorporation	Equity Interest held		Principal activities
		2010	2009	
		%	%	
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.
IPanel Malaysia Sdn. Bhd.**	Malaysia	**82.5**	82.5	Currently dormant. Intended principal activities are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system.
Anhui Lai'An Metronic Water Supply Company Limited*	People's Republic of China	**100**	100	Design, construction, production, operation, maintenance and sale of treated water. Become dormant in the current year.

* Audited by firms of auditors other than Ernst & Young

** Inclusive of an indirect interest of 7.5% held via IPanel Ptd Ltd (See Note 16(b)(i)).

(a) Acquisition of additional interests and impairment in subsidiaries during the financial year:

(i) Investment in Anhui Lai'An Metronic Water Supply Company Limited

During the financial year, the Company increased its investment capital in Anhui Lai'An Metronic Water Supply Company Limited in Lai'An Country, Anhui Province in the People's Republic of China by US$328,025 (equivalent to RM1,099,759) to US$973,525 (equivalent to RM3,386,364).

On 16 August 2010, the Company had entered into a termination agreement with Laian County Water Utility Board for the termination of BOT Water Concession Agreement. Laian Country Water Utility Board has agreed to compensate the Company for all the costs of construction of Lai An Cha He Water Treatment Plant, amounted to RMB5,123,484 (equivalent to approximately RM2,394,823). Part of the compensation amounted RMB1,219,181 (equivalent to approximately RM580,010) would be paid directly to Anhui Lai'An subcontractor, and the remaining amount of RMB3,904,303 (equivalent to approximately RM1,814,813) would be paid to the Company. Arising from this event, the Company has provided for an impairment loss of RM1,561,071 for the year ended 31 December 2010. Subsequent to year end, the Company has collected RM1,160,250 from Laian County Water Utility Board.

(ii) During the financial year, the Company also made an impairment loss of RM285,587 on cost of investment in Metronic Engineering Private Limited.

(b) Acquisition and incorporation of subsidiaries, and acquisition of additional interests in subsidiaries in the previous financial year:

(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 representing 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.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition and incorporation of subsidiaries, and acquisition of additional interests in subsidiaries in the previous financial year: (cont'd)

(i) (cont'd)

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 assets	(2,350)	
Goodwill on acquisition (Note 14)	1,057,453	
Total cost of acquisition	1,055,103	

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 previous financial year, the Company invested US$645,500 (equivalent to RM2,286,605) as paid–up registered capital.

(iii) The Company increased its investment capital in Metronic Vietnam Company Limited ("MVCL") by US$175,000 (equivalent to RM609,304) to US$200,000 (equivalent to RM697,390).

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

(c) Deregistration/Disposal of subsidiaries

(i) On 19 December 2010, the Company's 60% owned subsidiary, Metronic Australia Pty Ltd ("MAPL") had been voluntarily deregistered. The deregistration of MAPL had no significant impact of the results and financial position of the Group and the Company during the current financial year.

(ii) 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.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Deregistration/Disposal of subsidiaries (cont'd)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**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 8(a))	**–**	(3,729)	**–**	80,700

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

	Group	Group
	2010	**2009**
	RM	**RM**
Property, plant and equipment (Note 12)	**–**	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 8(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)

17. INVESTMENT IN ASSOCIATE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Unquoted shares, at cost:				
Outside Malaysia	**15,668,416**	15,668,416	**15,668,416**	15,668,416
	15,668,416	15,668,416	**15,668,416**	15,668,416
Share of post–acquisition reserves	**1,769,473**	(182,477)	**–**	–
Exchange differences	**(115,917)**	1,600,139	**–**	–
	17,321,972	17,086,078	**15,668,416**	15,668,416

17. INVESTMENT IN ASSOCIATE (CONT'D)

Details of the associates are as follows:

Name of Company	Country of incorporation	Equity interest held 2010	Equity interest held 2009	Voting power held 2010	Voting power held 2009	Principal activities
Held by the Company:						
Unilink Development Limited	Hong Kong	**25**	25	**25**	25	Investment holding
Subsidiaries of Unilink Development Limited:						
Newtronics Hangzhou Co., Ltd	The People's Republic of China	**20**	20	**20**	20	High volume printed circuit board assembly, cellular phones and other electronic products assembly
Hangzhou HengAi Electronics Co., Ltd	The People's Republic of China	**20**	20	**20**	20	High volume printed circuit board assembly, cellular phones and other electronic products assembly
Tracker Shine Limited	British Virgin Islands	**–**	25	**–**	25	Investment holding
Vigorhood Photoelectric Shenzhen Co., Ltd	The People's Republic of China	**–**	25	**–**	25	Design and manufacture of consumer electronic products

The financial statements of the above associate is coterminous with those of the Group.

(a) The summarised financial information of the associate is as follows:

	2010 RM	2009 RM
Assets and liabilities		
Current assets	**38,640,588**	48,678,340
Non–current assets	**32,947,781**	33,504,515
Total assets	**71,588,369**	82,182,855
Current liabilities	**18,055,118**	34,036,363
Non–current liabilities	**11,634,619**	10,333,344
Total liabilities	**29,689,737**	44,369,707
Income statement		
Revenue	**88,211,921**	155,321,650
Profit/(loss) for the year	**7,807,800**	(7,168,628)

17. INVESTMENT IN ASSOCIATE (CONT'D)

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

	Goodwill RM
Cost and net carrying amount	
At 1 January 2009	7,729,183
Exchange differences	(96,392)
At 31 December 2009/1 January 2010	7,632,791
Exchange differences	(785,477)
At 31 December 2010	6,847,314

(b) Disposal of an associate and acquisition of other quoted investment in the year ended 31 December 2009:

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 that 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.

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 available–for–sale investment as disclosed in Note 19 to the financial statements.

As at 31 December 2010, 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 RM798,758 (2009: RM868,758) as disclosed in Note 31(B) 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 8(a))	(2,473,868)	(2,853,205)

18. INVESTMENT IN JOINT VENTURE

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost:		
Outside Malaysia	**220,850**	220,850

Name of Company	Country of incorporation	2010 %	2009 %	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 managements.

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

	2010 RM	2009 RM
Assets and liabilities		
Current assets	**303,850**	231,500
Non–current assets	**–**	–
Total assets	**303,850**	231,500
Current liabilities	**–**	–
Non–current liabilities	**–**	–
Total liabilities	**–**	–
Income statement		
Revenue	**–**	–
Expenses, including finance costs and taxation	**–**	–

19. AVAILABLE–FOR–SALE FINANCIAL ASSETS

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Available–for–sale financial assets				
Quoted securities in Malaysia:				
At 1 January	**–**	–	**–**	–
Reclassification from other investments (Note 2.2(iv))	**9,103,401**	–	**8,699,198**	–
Effects of adopting FRS139	**1,222,578**	–	**966,577**	–
At 1 January, restated	**10,325,979**	–	**9,665,775**	–
Change in fair value (Note 2.2(iv))	**(4,056,846)**	–	**(4,349,599)**	–
Disposal	**(56,075)**	–	**–**	–
At 31 December, at fair value	**6,213,058**	–	**5,316,176**	–

19. AVAILABLE–FOR–SALE FINANCIAL ASSETS (CONT'D)

Prior to the adoption of FRS 139 on 1 January 2010, the investments in quoted securities were carried at costs less impairment and classified as other investments.

Impairment losses

During the financial year, the Group and the Company recognised impairment loss of RM3,866,310 (2009: RMNil) for quoted equity instrument classified as available-for-sale financial assets as there was "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Company use 30% and 6 months as the triggers for "significant" and "prolonged" respectively for the purpose of assessing impairment.

20. OTHER INVESTMENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
At 1 January				
- quoted shares, at cost	**9,758,363**	9,758,363	**8,699,198**	8,699,198
- unquoted shares, at cost	**144,897**	144,897	**144,897**	144,897
- less: impairment loss	**(799,859)**	(799,859)	**(144,897)**	(144,897)
	9,103,401	9,103,401	**8,699,198**	8,699,198
- effect of adopting FRS 139	**(9,103,401)**	–	**(8,699,198)**	–
	–	9,103,401	**–**	8,699,198
Golf club membership	**94,000**	94,000	**–**	–
At 31 December	**94,000**	9,197,401	**–**	8,699,198

21. DEFERRED TAX

	Group	
	2010	**2009**
	RM	**RM**
At 1 January	**2,854,937**	2,435,376
Effect of adopting FRS 139	**5,440,000**	–
At 1 January, restated	**8,294,937**	2,435,376
Recognised in income statement (Note 9)	**197,000**	440,821
Foreign currency translation differences	**(1,411)**	861
Disposal of subsidiary (Note 16(c)(ii))	**–**	(22,121)
At 31 December – after appropriate set off	**8,490,526**	2,854,937

Deferred tax liabilities of the Group:

	Property, plant and equipment	**Total**
	RM	**RM**
At 1 January 2010	52,409	52,409
Recognised in income statement	3,000	3,000
Foreign currency translation differences	(634)	(634)
At 31 December 2010	54,775	54,775

21. DEFERRED TAX (CONT'D)

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

	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 16(c)(ii))	(1,517)	(1,517)
Foreign currency translation differences	185	185
At 31 December 2009	52,409	52,409

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2010	1,164,000	1,095,000	648,346	2,907,346
Effect of adopting FRS 139 recognised directly in equity	–	5,440,000	–	5,440,000
As restated on 1 January 2010	1,164,000	6,535,000	648,346	8,347,346
Recognised in income statement	202,000	(119,000)	117,000	200,000
Foreign currency translation differences	–	–	(2,045)	(2,045)
At 31 December 2010	1,366,000	6,416,000	763,301	8,545,301
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 16(c)(ii))	–	–	(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

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

	Group	
	2010 RM	2009 RM
Unused tax losses	897,612	750,090
Unabsorbed capital allowances	6,344	6,219
	903,956	756,309

At the reporting date, the Group has tax losses of approximately RM897,612 (2009:RM750,090) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

22. INVENTORIES

	Group 2010 RM	Group 2009 RM
At cost		
Building automation equipment and parts	**2,384,257**	1,452,448
	2,384,257	1,452,448

23. TRADE AND OTHER RECEIVABLES

Trade receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	**39,097,808**	17,144,852	**–**	–
Progress billings receivable	**57,302,652**	55,183,696	**–**	–
Due from customers on contracts (Note 24)	**8,345,592**	10,997,020	**–**	–
Advances to sub-contractors	**–**	15,303	**–**	–
Retention sums on contracts (Note 24)	**18,567,943**	16,218,123	**–**	–
	123,313,995	99,558,994	**–**	–
Allowance for impairment	**(32,305,949)**	(9,039,956)	**–**	–
Trade receivables, net	**91,008,046**	90,519,038	**–**	–
Other receivables				
Due from subsidiaries	**–**	–	**12,283,505**	14,926,239
Deposits and prepayment	**1,181,397**	649,332	**–**	–
Sundry receivables	**4,570,400**	2,394,168	**68,560**	68,560
Allowance for impairment	**(1,424,707)**	(1,534,032)	**–**	–
Other receivables, net	**4,327,090**	1,509,468	**12,352,065**	14,994,799
Total trade and other receivables	**95,335,136**	92,028,506	**12,352,065**	14,994,799
Add: Short term deposits (Note 25)	**8,179,679**	8,805,586	**–**	1,726,483
Cash and bank balances (Note 26)	**5,084,730**	7,216,058	**957,296**	111,459
Total loans and receivables	**108,599,545**	108,050,150	**13,309,361**	16,832,741

(A) Trade receivables

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

23. TRADE AND OTHER RECEIVABLES (CONT'D)

(A) Trade receivables (cont'd)

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 RM44,450,738 (2009: RM46,855,069), who is a related party as disclosed in Note 32(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 (2009: RM10,530,270) which is due upon the expiry of warranty in the last financial year. These debts are due for sub-contract work completed for the related party who is the main contractor and for certain debtors on certain federal public sector projects for the Government of Malaysia ("GOM"); and

(ii) a balance due from certain group of debtors of RM2,114,682 (2009: RM2,114,682) 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 RM519,651 (2009: RM519,651) which is due upon the expiry of warranty period in the last financial year.

The total exposure to the Group as a result of (i) and (ii) above amounted to RM46,565,420 (2009: RM48,969,751). 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 in the last financial year and that there are no further defects to be made good. During the year, the Group has also entered into Deed of Assignment ("DOA") with the related party wherein the related party has irrevocably assigned to the Group absolutely all its rights, interests, benefits and title of the claims of these receivables from the GOM. (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 discounted cash flows over the expected collection period of a number of years, and has provided for an impairment of RM20,344,806 on these debtors as at 1 January 2010 upon the adoption of FRS 139. Included in this amount of RM20,344,806 is the impairment related to retention sums of RM4,590,762.

The estimated timeframe was solely based on management's estimates. No empirical evidence was available to derive at this estimated timeframe of collection.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2010	**2009**
	RM	**RM**
Neither past due nor impaired	**37,443,201**	38,312,393
1 to 30 days past due but not impaired	**8,565,586**	2,212,935
31 to 60 days past due but not impaired	**3,493,546**	1,853,102
61 to 90 days past due but not impaired	**2,174,903**	1,297,652
91 to 120 days past due but not impaired	**2,228,413**	929,400
More than 121 days past due but not impaired	**7,622,715**	43,689,916
	24,085,163	49,983,005
Impaired	**61,785,631**	11,263,596
	123,313,995	99,558,994

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

23. TRADE AND OTHER RECEIVABLES (CONT'D)

(A) Trade receivables (cont'd)

Ageing analysis of trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting RM24,085,163 (2009: RM49,983,005) that are past due at the reporting date but not impaired.

At the reporting date, the balances of receivables that are past due but not impaired are unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follow:

	Group					
	Collectively impaired		Invidually impaired		Total	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables - nominal amounts	**5,585,353**	6,604,818	**56,200,278**	4,658,778	**61,785,631**	11,263,596
Less: Allowance for impairment	**(2,381,432)**	(4,381,178)	**(29,924,517)**	(4,658,778)	**(32,305,949)**	(9,039,956)
	3,203,921	2,223,640	**26,275,761**	–	**29,479,682**	2,223,640

Movement in allowance accounts:

	Group	
	2010 RM	2009 RM
At 1 January	**9,039,956**	8,424,372
Effect of adopting FRS 139	**21,760,262**	–
Charge for the year (Note 8(a))	**2,435,226**	1,699,321
Recovery of allowance for impairment of trade receivables (Note 8(a))	**(559,391)**	(1,017,749)
Write back of impairment of trade receivables (Note 8(a))	**(258,208)**	–
Exchange differences	**(111,896)**	(65,988)
At 31 December	**32,305,949**	9,039,956

Trade receivables that are individually determined to be impaired at the reporting date are determined on a case-by-case basis, and normally relate to debtors that have significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(B) Other receivables

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

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM580,707 (2009: RM549,418) and an amount of RM2,394,823 (2009: RMNil) due from Laian County Water Utility Board for the termination of BOT Water Concession Agreement as disclosed in Note 16(a)(i).

24. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group 2010 RM	Group 2009 RM
Contract costs incurred to date	**272,851,615**	259,461,962
Add: Attributable profits	**51,327,644**	46,782,877
	324,179,259	306,244,839
Less: Progress billings received and receivable	**(322,113,209)**	(299,397,094)
	2,066,050	6,847,745
Due from customers on contracts (Note 23(A))	**8,345,592**	10,997,020
Due to customers on contracts (Note 31(A))	**(6,279,542)**	(4,149,275)
	2,066,050	6,847,745
Retention sums on contracts, included within trade receivables (Note 23(A))	**18,567,943**	16,218,123
Advances received on contracts, included within trade payables (Note 31(A))	**1,431,753**	789,219
Contract costs recognised as an expense (Note 5)	**43,513,274**	35,998,295

Included in contract costs recognised as an expense is provision for defect liabilities of RM1,146,692 (2009: RM956,617) during the year (Note 8(a)).

25. SHORT TERM DEPOSITS

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Fixed deposits with licensed banks	**8,179,679**	8,805,586	**–**	1,726,483

Fixed deposits with licensed banks of the Group amounting to RM7,398,499 (2009: RM7,576,896) and of the Company amounting to RMNil (2009: RM1,726,483) are pledged as security for banking facilities granted to the Group and to the Company respectively as disclosed in Note 30 and Note 34 to the financial statements.

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

	Interest rate 2010 %	Interest rate 2009 %	Maturity 2010 day	Maturity 2009 day
Group	**2.25**	1.90	**92**	84
Company	**–**	2.23	**–**	87

26. CASH AND BANK BALANCES

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

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cash and bank balances	**5,084,730**	7,216,058	**957,296**	111,459
Fixed deposits with licensed banks*	**781,180**	1,228,690	**–**	–
Bank overdrafts (Note 30)	**(2,333,857)**	(3,738,118)	**–**	–
Total cash and cash equivalents	**3,532,053**	4,706,630	**957,296**	111,459

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

27. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2010	2009	2010	2009
			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 2010/31 December 2010	**634,906,903**	**63,490,690**	**63,490,690**

There was no issuance of new shares for the year ended 31 December 2010.

28. OTHER RESERVES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
At 1 January	**1,602,959**	1,879,609	**–**	–
Effects of adopting FRS 139				
Available-for-sale reserve	**1,222,578**	–	**966,577**	–
As restated on 1 January	**2,825,537**	1,879,609	**966,577**	–
Other comprehensive income for the year, net of tax:				
Available-for-sale reserve	**(208,678)**	–	**(483,289)**	–
Foreign currency translation	**(1,517,639)**	(276,650)	**–**	–
At 31 December	**1,099,220**	1,602,959	**483,288**	–

28. OTHER RESERVES (CONT'D)

(a) Available-for-sale reserve

The fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(b) 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 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 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 2010, the Company is in accumulated loss position.

30. LOANS AND BORROWINGS

	Group	
	2010	**2009**
	RM	**RM**
Current		
Obligations under finance leases (secured)	**89,478**	–
Hire purchase payables (secured)	**11,899**	11,899
Bank overdrafts (secured) (Note 26)	**2,333,857**	3,738,118
Bankers' acceptances (secured)	**5,101,095**	6,962,083
Revolving credits	**3,339,112**	–
	10,875,441	10,712,100
Non current		
Obligations under finance leases	**250,845**	–
Hire purchase payables	**42,547**	54,446
	293,392	54,446
Total loans and borrowings	**11,168,833**	10,766,546

30. LOANS AND BORROWINGS (CONT'D)

The remaining maturities of the loans and borrowings as at 31 December 2010 are as below:

	Group	
	2010	2009
	RM	RM
On demand or within one year	**10,875,441**	10,712,100
More than 1 year and less than 2 years	**100,825**	11,899
More than 2 years and less than 5 years	**192,567**	35,697
5 years or more	**-**	6,850
	11,168,833	10,766,546

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and the fixed deposits with licensed banks of the Group as disclosed in Note 12, Note 13 and Note 25. The interest rates on these borrowings range between 3.14% to 7.55% (2009: 3.03% to 6.8%) per annum.

The revolving credit project facility is secured by the deed of assignment of contract proceeds and receivables in relation to the project at an interest rate of 6.5% per annum.

The obligations under finance lease are secured by a charge over the leased assets as disclosed in Note 12. The average discount rate implicit in the leases is between 11% to 17% per annum (2009: Nil). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

31. TRADE AND OTHER PAYABLES

(A) Trade payables

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade payables	**63,823,725**	47,332,245	**–**	–
Advances received on contracts (Note 24)	**1,431,753**	789,219	**–**	–
Due to customers on contracts (Note 24)	**6,279,542**	4,149,275	**–**	–
	71,535,020	52,270,739	**–**	–

31. TRADE AND OTHER PAYABLES (CONT'D)

(B) Other payables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Due to subsidiary	**–**	–	**133,822**	33,822
Other creditors and accruals	**6,131,079**	5,941,321	**1,372,662**	1,373,813
Due to directors' related companies*	**2,434,431**	1,700,000	**1,149,000**	1,700,000
Deferred revenue	**1,341,078**	1,179,714	**–**	–
Due to directors	**1,111,743**	1,284,271	**–**	–
Provision for defect liabilities	**5,680,703**	4,665,609	**–**	–
Financial guarantees	**–**	–	**136,108**	–
	16,699,034	14,770,915	**2,791,592**	3,107,635
Total Trade and other payables	**88,234,054**	67,041,654	**2,791,592**	3,107,635
Add: Loans and borrowings (Note 30)	**11,168,833**	10,766,546	**–**	–
Total financial liabilities carried at amortised cost	**99,402,887**	77,808,200	**2,791,592**	3,107,635

* Companies in which Dato' Abd Gani bin Yusof, Dr Ng Tek Che, Liew Chiap Hong and their family members are Directors' of these companies.

(A) Trade payables

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM23,474,480 (2009: RM27,293,035) 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

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 17(b) to the financial statements.

Amount due to directors' related companies is non-interest bearing, unsecured and repayable on demand.

The financial guarantees relate to corporate guarantees provided by the Company to banks for a total amount of RM64,900,000 (2009: RM64,900,000) (Note 34(c)) for banking facilities granted to a subsidiary.

32. 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:

	2010		2009	
	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. ##	**–**	**950,701**	–	962,745
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") #	**–**	**44,450,738**	330	46,855,069
- ER Mekatron Manufacturing Sdn Bhd. ###	**–**	**11,000**	11,000	11,000
Subcontractor fee to Ledtronics Sdn. Bhd.**	**–**	**–**	85,798	–
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	**–**	**291,645**	178,775	291,645
Sale of equipment to Edmund Chuah Choong Eng Huat***	**–**	**58,786**	–	58,786
Contract revenue receivable from Ariantec Sdn.Bhd. @	**–**	**–**	28,000	583
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd. @	**448,016**	**–**	75,350	–
Company				
Dividend income from Ariantec Sdn.Bhd. @	**–**	**–**	2,681,242	–
Subsidiaries:				
Management fee received	**1,200,000**	**–**	1,200,000	–
Office rental paid	**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 ("Edmund") has interest. Edmund was disqualified from holding office of director of the Company on 16 March 2011.

@ A former associate of the Company, in which the directors of the Company, Dato' Abd. Gani bin Yusof and Dr Ng Tek Che are 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 Hj Dziyauddin, was also a director of this company until 20 July 2009.

*** Edmund Chuah Choong Eng Huat was a director of the Company until 16 March 2011.

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.

32. 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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Short-term employee benefits	**1,060,106**	930,319	**629,420**	629,420
Post-employment benefits:				
Defined contribution plan	**74,206**	73,584	**73,542**	73,584
Directors' fees	**102,000**	122,548	**102,000**	108,000
	1,236,312	1,126,451	**804,962**	811,004
Included in the total key management personnel are:				
Directors' remuneration (Note 8(b))	**1,236,312**	1,126,451	**804,962**	811,004

33. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	**–**	9,275,083	**–**	9,275,083
Approved and not contracted for:				
- Capital expenditure	**–**	21,807,547	**–**	–

33. COMMITMENTS (CONT'D)

(b) Hire purchase commitments

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

	Group			
	2010		2009	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Not later than 1 year	**15,216**	**11,899**	15,216	11,899
Later than 1 year but not later than 2 years	**15,216**	**11,899**	15,216	11,899
Later than 2 years but not later than 5 years	**39,217**	**30,648**	45,648	35,697
Later than 5 years	**–**	**–**	8,785	6,850
	69,649	**54,446**	84,865	66,345
Less: Future finance charges	**(15,203)**	**–**	(18,520)	–
	54,446	**54,446**	66,345	66,345

(c) Finance lease commitments

The Group has finance leases for certain items of computer hardware and office equipments (Note 12). These leases have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2010		2009	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Not later than 1 year	**104,545**	**89,478**	–	–
Later than 1 year but not later than 2 years	**104,545**	**88,926**	–	–
Later than 2 years but not later than 5 years	**192,792**	**161,919**	–	–
Later than 5 years	**–**	**–**	–	–
	401,882	**340,323**	–	–
Less: Future finance charges	**(61,559)**	**–**	–	–
	340,323	**340,323**	–	–

34. CONTINGENT LIABILITIES

	Group	
	2010	**2009**
	RM	**RM**
(a) Secured:		
Performance and financial guarantees issued by the banks to third parties	**10,551,990**	6,858,600
Standby Letter of Credit given to a licensed bank for credit facilities granted to a foreign subsidiary	**–**	1,371,800
	10,551,990	8,230,400

The above bank guarantees and letter of credit are secured on the freehold land and buildings, leasehold buildings and fixed deposits with licensed banks of the Group as disclosed in Note 12 and Note 25 to the financial statements.

	Group	
	2010	**2009**
	RM	**RM**
(b) Unsecured:		
Litigation, claims and legal suits	**1,751,617**	2,073,133

(i) On 9 January 2007, the Company 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 the Company 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 the Company 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 case is fixed for Trial in the High Court on 15 August and 16 August 2011.

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 2010.

(ii) On 24 October 2008, a subsidiary, Metronic Engineering Sdn Bhd ("MESB") received a Writ of Summons issued by Titi Maju Sdn Bhd ("TMSB") claiming an amount of RM267,202 plus interest and cost. Payment to TMSB is subject to a back-to-back arrangement, whereby payment be made upon receipts from the Main contractor, MH Projects Sdn. Bhd. ("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 11 May 2011 prior to fixing date for trial.

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. The Company's solicitors are of the opinion that the prospects are good for MESB.

34. CONTINGENT LIABILITIES (CONT'D)

	Company	
	2010	2009
	RM	RM
(c) Unsecured:		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**64,900,000**	64,900,000

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, market price risks and credit risks. It is, and has been throughout the year under review.

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group. The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities.

Interest bearing financial assets are mainly short term in nature which includes fixed deposits with licensed banks which are placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

The Group's interest bearing financial liabilities mainly comprise bank borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group currently does not use any derivative financial instruments to manage its exposure to changes in interest rates and it is the Group's policy to obtain the most favourable interest rates available.

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

Interest on borrowings that are subject to floating rates are contractually repriced within a year. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments.

At the reporting date, if interest rates had been 50 basis points higher/lower, with all other variables held constant, the Group's loss before taxation and net of tax, and the equity would have been RM37,175 higher/lower (2009: higher/lower by RM53,501), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. If interest rates had been 50 basis points higher/lower, with all other variables held constant, the Group's loss before taxation and net of tax, and the equity would have been RM40,898 lower/higher (2009: lower/higher by RM44,028) as a result of higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group also maintains available banking facilities of a reasonable level to its overall debt position.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2010		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial liabilities:			
Trade and other payables	**88,234,054**	**–**	**88,234,054**
Loans and borrowings	**10,893,825**	**351,770**	**11,245,595**
Total undiscounted financial liabilities	**99,127,879**	**351,770**	**99,479,649**
Company			
Trade and other payables (excluding financial guarantees)*	**2,655,484**	**–**	**2,655,484**
Loans and borrowings	**–**	**–**	**–**
Total financial liabilities	**2,655,484**	**–**	**2,655,484**

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency of the operations to which they relate. Exposure to foreign currency risks are monitored on an on-going basis. The currencies giving rise to this risk are primarily the United States Dollar ("USD"), Great Britain Pound ("GBP"), Euro, Saudi Riyal ("SR"), Singapore Dollar ("SGD"), China Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Indian Rupee ("INR"), and Arab Emirates Dirham ("AED").

The Group's policy is to minimise the exposure of overseas operating subsidiaries/ activities to transaction risks by matching local currency income against local currency cost.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. If the functional currency had weakened or strengthened by 10% against the HKD, INR, SGD, RMB and AED with all other variables held constant, the impact on equity would have been approximately RM425,131 higher/lower on translation upon consolidation. No impact on the profit and loss as the financial assets and liabilities denominated in the above currencies are in respect of the foreign subsidiaries where the trade in those subsidiaries are conducted in those entities' respective functional currencies.

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

(c) 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:

	USD RM	GBP RM	Euro RM	SR RM	SGD RM	RMB RM	INR RM	AED RM	Total RM
At 31 December 2010									
Trade and other receivables	7,606	–	–	–	–	2,404,171	4,053,207	408,285	6,873,269
Cash and bank balance	–	–	–	–	–	404,928	14,400	816,889	1,236,217
Trade and other payables	1,443,857	32,318	134,595	25,115	118,534	3,691,049	5,495,959	1,744,775	12,686,202
Borrowings	–	–	–	–	–	–	137,560	–	137,560
At 31 December 2009									
Trade and other receivables	232,685	–	321,673	445,043	–	157,779	1,643,428	360,484	3,161,092
Cash and bank balance	–	–	–	–	–	955,152	11,011	10,278	976,441
Trade and other payables	846,738	26,085	121,917	–	37,120	2,856,453	2,946,583	697,366	7,532,262
Borrowings	–	–	–	–	–	–	66,921	–	66,921

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's loss net of tax and equity to a reasonably possible change in the USD, GBP, Euro, Saudi Riyal, SGD and AED exchange rates against the respective functional currencies of the Group entities, will all other variables held constant.

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

(c) Foreign currency risk (cont'd)

	Group 2010 RM Effect on loss net of tax/equity, net of tax Increase/(decrease)
AED/RM - strengthened 10%	(333)
- weakened 10%	333
EUR/RM - strengthened 10%	(983)
- weakened 10%	983
GBP/RM - strengthened 10%	5,602
- weakened 10%	(5,602)
SAR/RM - strengthened 10%	941
- weakened 10%	(941)
SGD/RM - strengthened 10%	(11,380)
- weakened 10%	11,380
USD/RM - strengthened 10%	16,803
- weakened 10%	(16,803)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

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

As at the financial year-end date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, and the nominal amount relating to corporate guarantees provided by the Company for banking facilities granted to subsidiaries as disclosed in Note 34(c).

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 RM35,515,499 (2009: RM37,919,830) and retention sums on contracts of RM11,049,921 (2009: RM11,049,921) as disclosed in Note 23(A).

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad. This instruments are classied as available-for-sale financial assets. The Group does not have exposure to commodity price risk. The Group's objective is to manage investment returns, to steady dividend yield and capital gain.

Management of the Group monitors the equity instruments on an individual basis and all buy and sell decisions are approved by the managing director and executive director of the Group.

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

(e) Market price risk (cont'd)

A 5% strengthening in the quoted market price of the respective counters at the end of the reporting period with all other variables held constant would have increase the fair value adjustment reserve in equity and other comprehensive income by RM310,652. A 5% weakening in the quoted market price of the respective counters would have equal but opposite effect on the fair value adjustment reserve in equity and other comprehensive income respectively.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

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

	Group		Company	
	Carrying value RM	Fair value RM	Carrying value RM	Fair value RM
At 31 December 2009:				
Other investments	9,197,401	10,325,978	8,699,198	9,665,775

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

(i) Cash and cash equivalents, receivables, payables, loans and short-term borrowings

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

(ii) Long-term borrowing

The carrying amounts of the non-current portion of hire purchase and finance leases are reasonable approximation of their fair values as the implied discount rates approximate current market rates.

(iii) Investments

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

(iv) Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period.
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default.
- The estimated loss exposure if the party guaranteed were to default.

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital plus loans and borrowings. The Group's policy is to minimise the gearing ratio. Capital includes equity attributable to the owners of the parent.

	Group	
	2010	**2009**
	RM	**RM**
Loans and borrowings (Note 30)	**11,168,833**	10,766,546
Equity attributable to the owners of the parent	**53,106,872**	72,840,230
Capital and borrowings	**64,275,705**	83,606,776
Gearing ratio	**0.17**	0.13

38. SEGMENTAL REPORTING

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

(i) Malaysia

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

(ii) Overseas

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

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.

	Note	Malaysia RM	Overseas RM	Adjustments/ eliminations RM	Total RM
31 December 2010					
Revenue					
Sales to external customers		56,330,370	14,738,413	–	71,068,783
Inter-segment sales	**(A)**	–	2,299,542	(2,299,542)	–
Total Revenue		56,330,370	17,037,955	(2,299,542)	71,068,783
Results					
Segment result		(103,076)	(2,707,477)	–	(2,810,553)
Share of profit of associates		–	1,951,950	–	1,951,950
Finance cost		(580,177)	(14,837)	–	(595,014)
Loss before tax					(1,453,617)
Income tax expense					(444,500)
Net loss for the year					(1,898,117)
31 December 2010					
Assets					
Segment assets	**(B)**	168,393,671	16,344,415	(47,026,084)	137,712,002
Investment in associates		17,321,972	–	–	17,321,972
					155,033,974
Liabilities					
Segment liabilities	**(C)**	102,263,099	19,436,361	(22,006,573)	99,692,887
Other segment information					
Capital expenditure		749,037	49,817	–	798,854
Depreciation of property plant and equipment		415,099	161,866	–	576,965
Depreciation of investment properties		5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments		904,573	11,028	–	915,601
Impairment loss on intangible assets		327,048	–	–	327,048
Recovery of provision for doubtful debts		559,391	–	–	559,391
Other significant non-cash expenses:					
Impairment loss on trade receivables		2,344,462	90,764	–	2,435,226
Provision for defect liabilities		928,029	218,663	–	1,146,692
Write-down of inventories		75,226	–	–	75,266

38. SEGMENTAL REPORTING (CONT'D)

Geographical segments (cont'd)

	Note	Malaysia RM	Overseas RM	Adjustments/ eliminations RM	Total RM
31 December 2009					
Revenue					
Sales to external customers		48,971,019	10,541,673	–	59,512,692
Inter-segment sales	**(A)**	–	23,793	(23,793)	–
Total Revenue		48,971,019	10,565,466	(23,793)	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	**(B)**	144,772,532	14,155,113	(23,548,412)	135,379,233
Investment in associates		17,086,078	–	–	17,086,078
					152,465,311
Liabilities					
Segment liabilities	**(C)**	86,651,788	15,067,124	(23,316,912)	78,402,000

38. SEGMENTAL REPORTING (CONT'D)

Geographical segments (cont'd)

	Malaysia RM	Overseas RM	Adjustments/ eliminations RM	Total RM
31 December 2009 (cont'd.)				
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

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)

Business segments (cont'd)

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

	Note	Engineering RM	ICT services RM	Adjustments/ eliminations RM	Total RM
31 December 2010					
Revenue					
Sales to external customers		62,250,573	8,818,210	–	71,068,783
Inter-segment sales	**(A)**	–	1,845	(1,845)	–
Total Revenue		62,250,573	8,820,055	(1,845)	71,068,783
Results					
Segment result	**(D)**	(1,013,804)	2,069,561	(1,914,360)	(858,603)
Finance cost		(588,993)	(6,021)	–	(595,014)
Loss before tax					(1,453,617)
Income tax expense					(444,500)
Net loss for the year					(1,898,117)
Assets					
Segment assets	**(B)**	148,587,320	36,150,766	(47,026,084)	137,712,002
Investment in associates		17,321,972	–	–	17,321,972
					155,033,974
Liabilities					
Segment liabilities	**(C)**	90,108,236	31,591,224	(22,006,573)	99,692,887
Other segment information					
Capital expenditure		239,885	558,969	–	798,854
Depreciation of property plant and equipment		408,962	168,003	–	576,965
Depreciation of investment properties		5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments		415,789	499,812	–	915,601
Impairment loss on intangible assets		327,048	–	–	327,048
Recovery of provision for doubtful debts		559,391	–	–	559,391
Other significant non-cash expenses:					
Impairment loss on trade receivables		2,152,571	282,655	–	2,435,226
Provision for defect liabilities		1,146,692	–	–	1,146,692
Write-down of inventories		75,226	–	–	75,226

38. SEGMENTAL REPORTING (CONT'D)

Business segments (cont'd)

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

	Note	Engineering	ICT services	Adjustments/ eliminations	Total
		RM	RM	RM	RM
31 December 2009					
Revenue					
Sales to external customers		53,786,166	5,726,526	–	59,512,692
Inter-segment sales	**(A)**	–	1,870	(1,870)	–
Total Revenue		53,786,166	5,728,396	(1,870)	59,512,692
Results					
Segment result	**(D)**	228,268	1,174,494	(1,768,599)	(365,837)
Finance cost		(549,350)	–	–	(549,350)
Loss before tax					(915,187)
Income tax expense					(623,373)
Net loss for the year					(1,538,560)
Assets					
Segment assets	**(B)**	140,817,641	18,110,004	(23,548,412)	135,379,233
Investment in associates		17,086,078	–	–	17,086,078
					152,465,311
Liabilities					
Segment liabilities	**(C)**	86,104,910	15,614,002	(23,316,912)	78,402,000

38. SEGMENTAL REPORTING (CONT'D)

Business segments (cont'd)

	Engineering RM	ICT services RM	Adjustments/ eliminations RM	Total RM
Other segment information				
Capital expenditure	742,415	418,751	–	1,161,166
Depreciation of property plant and equipment	456,022	102,502	–	558,524
Depreciation of investment properties	5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments	469,924	482,062	–	951,986
Recovery of provision for doubtful debts	1,017,749	–	–	1,017,749
Other significant non-cash expenses:				
Provision for doubtful debts	1,699,321	–	–	1,699,321
Provision for defect liabilities	956,617	–	–	956,617
Write-down of inventories	294,343	–	–	294,343

The Group's revenue is derived from numerous customers and there is no one major customer that contributes significantly to the revenue during the current financial year.

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements as follows:

A Inter-segment revenues are eliminated on consolidation.

B Inter-segment assets are eliminated on consolidation.

C Inter-segment liabilities are eliminated on consolidation.

D The adjustments relate to share of associate's profit/loss by Group and impairment loss on available-for-sale financial assets in the Company.

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

The breakdown of the accumulated loss of the Group and of the Company as at 31 December 2010 into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total accumulated loss as at reporting date may be analysed as follows:

	Group 2010 RM	Company 2010 RM
Total accumulated losses		
- Realised	**(6,256,003)**	**(5,006,337)**
- Unrealised	**2,671,298**	**–**
	(3,584,705)	**(5,006,337)**
Less: Consolidation adjustments	**(7,898,333)**	**–**
Accumulated loss as per financial statements	**(11,483,038)**	**(5,006,337)**

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 31.12.2010 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	10 years / Freehold	2,727	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	10 years / Freehold	2,320	12 April 2004
Lot 1888 College Heights Garden Resort Nilai Seremban	Vacant residential land	12,340	N/A	N/A	N/A / Freehold	150	28 August 1998
Unit no. 3F-47 3rd Floor Lot 1 JB Water Front City Jalan Tun Sri Lanang 80000 Johor Bahru Johor	Shop lot for investment purposes	N/A	475	23 February 2001	10 years / Leasehold for 99 years expiring on 4 December 2095	91	20 February 2001
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	14 years / Freehold	138	21 October 1993
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	9 years / Leasehold for 50 years expiring on 5 February 2052	3,945	15 March 2005

ANALYSIS OF SHAREHOLDINGS
As at 30 april 2011

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	501	9.312	25,210	0.004
100 – 1,000	100	1.859	52,198	0.008
1,001 –10,000	1,173	21.803	8,337,924	1.313
10,001 – 100,000	2,706	50.297	119,070,343	18.754
100,001 – 31,745,344 (*)	899	16.710	446,587,566	70.339
31,745,345 AND ABOVE (**)	1	0.019	60,833,662	9.582
Total	**5,380**	**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	4,268	48	468,023,545	7,115,536	73.715	1.121
2	Body Corporate						
	a) Banks/finance companies	8	0	1,597,088	0	0.252	0.000
	b) Investment trusts/foundation/ charities	1	0	182,000	0	0.029	0.000
	c) Industrial and commercial companies	19	2	10,267,956	476,000	1.617	0.075
3	Nominees	1,012	22 #	139,784,111	7,460,667	22.016	1.175 #
	Total	**5,308**	**72**	**619,854,700**	**15,052,203**	**97.629**	**2.371**

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	60,833,662	9.582
2	LIEW CHIAP HONG	31,021,897	4.886
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG TEK CHE (SFD)	18,000,000	2.835
4	NG TEK CHE	14,699,663	2,315
5	LIEW CHIAP HONG	8,392,020	1.322
6	LEE SOO HAR	5,327,000	0.839
7	LIM SIANG CHAI	5,000,000	0.788
8	LEE SIOK LOONG	4,600,000	0.724
9	PROMOSI UNGGUL SDN BHD	4,414,800	0.695
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YEW BENG (E–SJA)	4,408,000	0.694
11	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BARCLAYS BANK PLC, SINGAPORE (WTH MGMT MY RES)	4,059,000	0.639
12	TENG BEE LING	3,987,100	0.628
13	PHILIP A/L K.O. KUNJAPPY	3,800,285	0.599
14	KAMARUZZAMAN BIN SHARIFF	3,714,285	0.585
15	MD WIRA DANI BIN ABDUL DAIM	3,714,285	0.585

(III) 30 LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
16	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR AHMAD FUAD BIN MD ALI	3,300,000	0.520
17	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD	3,274,200	0.516
18	GENTING PERWIRA SDN BHD	3,164,285	0.498
19	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHOA BOON TING (CEB)	3,060,000	0.482
20	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)	3,000,000	0.472
21	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIONG HUI YEE (M04)	2,800,000	0.441
22	LIEW CHEE HOW	2,672,200	0.421
23	TAN CHONG CHOY	2,500,000	0.394
24	TAN SAI ENG	2,450,000	0.386
25	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (REM868– MARGIN)	2,006,000	0.316
26	ANG HUAT KEAT	2,000,000	0.315
27	CHEAH CHEE FATT	2,000,000	0.315
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW CHEE HOW (ET)	2,000,000	0.315
29	LIM BEE SENG	2,000,000	0.315
30	TAN BOON SHEN	2,000,000	0.315

Summary

Total no of holders	: 30
Total holdings	: 214,198,652
Total percentage (%)	: 33.737

(IV) SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	Note	%
Dato' Abd Gani bin Yusof	61,667,324	9.71	1,034	1	#
Liew Chiap Hong	39,903,459	6.28	1,034	1	#
Dr Ng Tek Che	33,189,175	5.23	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	61,667,324	9.71	1,034	1	#
Dr Ng Tek Che	33,189,175	5.23	1,034	1	#
Liew Chiap Hong	39,903,459	6.28	1,034	1	#
Lim Tzeh Foong	–	–	–	–	–
Datuk Subhi bin Hj Dziyauddin	–	–	–	–	–
Mohd Kamal bin Omar	–	–	–	–	–

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.

STATEMENT ACCOMPANYING THE NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING

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

(i) Mohd Kamal bin Omar (Pursuant to Article 79)

(ii) Dato' Abd. Gani bin Yusof (Pursuant to Article 86)

(iii) Lim Tzeh Foong (Pursuant to Article 86)

Further details of profile of Directors are set out on pages 8 and 10 of the Annual Report while their securities holdings are set out on page 115 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 2010. 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	5/5
Dr. Ng Tek Che	5/5
Liew Chiap Hong	5/5
Lim Tzeh Foong	5/5
Datuk Subhi bin Hj Dziyauddin	3/5
Mohd Kamal bin Omar (Appointed on 30/08/2010)	1/1
Edmund Chuah Choong Eng Huat (Vacated office on 16/03/2011)	0/5

3. DATE, TIME AND PLACE OF MEETING:-

Type of meeting : Eighth (8th) Annual General Meeting
Date : Tuesday, 28 June 2011
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 Eighth (8th) 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 Tuesday, 28 June 2011 at 10.00 am.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect the following Directors retiring in accordance with the Company's Article of Association and who being eligible have offered themselves for re-election:

i)	En Mohd Kamal bin Omar	(Article 79)	**Resolution 2**
ii)	Dato' Abd. Gani bin Yusof	(Article 86)	**Resolution 3**
iii)	Mr. Lim Tzeh Foong	(Article 86)	**Resolution 4**

3. To approve the payment of Directors' Fees of RM102,000 in respect of the financial year ended 31 December 2010. **Resolution 5**
4. To re-appoint Messrs Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

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 7**

6. **ANY OTHER BUSINESS**

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

By Order of the Board,

TAN LIM KUAN (MIA NO.: 8011)
CHOK KWEE WAH (F) (MACS 00550)
Company Secretaries

Selangor Darul Ehsan
6 June 2011

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. 32B, Jalan SS2/66, 47300 Petaling Jaya, Selangor 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 7
Resolution pursuant to Section 132D of the Companies Act, 1965
The proposed Resolution 7, 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.

As at the date of this Notice, no new shares in the Company were issued pursuant to this authority granted to the Directors at the last Annual General Meeting held on 30 June 2010 and which will lapse at the conclusion of this Eighth Annual General Meeting.

This Authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

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 Eighth (8th) Annual General Meeting of the Company to be held at Metronic Global Berhad Office, No.2, Jalan Astaka U8/83, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 June 2011 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 2010		
2.	Re-election of En. Mohd Kamal bin Omar as Director		
3.	Re-election of Dato' Abd. Gani bin Yusof as Director		
4.	Re-election of Mr. Lim Tzeh Foong as Director		
5.	To approve the payment of Directors' Fees of RM 102,000		
6.	Re-appointment of Auditors		
	Special Business		
7.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		

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. 32B, Jalan SS2/66, 47300 Petaling Jaya, Selangor 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 Global Berhad
(632068-V)

No.32B, Jalan SS2/66
47300 Petaling Jaya
Selangor Darul Ehsan

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METRONIC GLOBAL BERHAD (632068-V)
No. 2 Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong
40150 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: 603-7847 2111 Fax: 603-7847 5111
E-mail: mesb@metronic-group.com