CONTENTS

METRONIC

Metronic Global Berhad

(632068-V)

OUR VISION

To be an internationally recognized 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 skill that enhance and complement our own.
- **To continually improve** the effectiveness of the quality management system.
- **To maximize value** of our stakeholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Kamaruzzaman bin Shariff
Chairman

Dato' Abd. Gani bin Yusof
Executive Vice-Chairman

Dr Ng Tek Che
Group Managing Director

Liew Chiap Hong
Executive Director

Datuk Subhi bin Hj Dziyauddin
Independent Non-Executive Director

Mohd Kamal bin Omar
Independent Non-Executive Director

Chow Kee Kan @ Chow Tuck Kwan
Independent Non-Executive Director

Mohd Afrizan bin Husain
Independent Non-Executive Director

AUDIT COMMITTEE

Mohd Afrizan bin Husain
Chairman

Datuk Subhi bin Hj Dziyauddin
Member

Mohd Kamal bin Omar
Member

Chow Kee Kan @ Chow Tuck Kwan
Member

REMUNERATION COMMITTEE

Chow Kee Kan @ Chow Tuck Kwan
Chairman

Mohd Afrizan bin Husain
Member

Datuk Subhi bin Hj Dziyauddin
Member

Liew Chiap Hong
Member

NOMINATION COMMITTEE

Datuk Subhi bin Hj Dziyauddin
Chairman

Dr Ng Tek Che
Member

Mohd Afrizan bin Husain
Member

Mohd Kamal bin Omar
Member

COMPANY SECRETARIES

Cynthia Gloria Louis *(MAICSA 7008306)*
Chew Mei Ling *(MAICSA 7019175)*

REGISTERED OFFICE

Unit 621, 6th Floor, Block A,
Kelana Centre Point, No 3,
Jalan SS7/19, Kelana Jaya
47300 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03 - 7880 9699
Fax: 03 - 7880 8699

REGISTRAR

Tricor Investor Services 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

LLTC (AF 1114)
Chartered Accountants

SOLICITORS

Messrs Bahari & Bahari
Messrs Muru & Partners

BANKERS

Malaysia Banking Berhad
United Overseas Bank (Malaysia Berhad)

STOCK EXCHANGE LISTING

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

CORPORATE WEBSITE

www.metronic-group.com

CORPORATE PROFILE

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 system integration of intelligent building management systems ("IBMS") and integrated security management systems ("ISMS"), e-project management ("e-PM") of mechanical and electrical service and provision of online administration service 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's increasing expectations. The 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 service specializing in the field of IBMS and ISMS. MESB subsequently expanded its business activities to include e-PM of mechanical and electrical service 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 building, 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, solution 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 optimization 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.

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 business, in 2008, the Group via Metronic iCares Sdn Bhd ("MICSB") ventured into Third Party Administration ("TPA") and Managed Care Organisation ("MCO") businesses for the 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 market. 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, specializes 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

CORPORATE PROFILE (CONT'D)

The integration of the building/industrial automation system 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 solution. 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 communicated 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 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 security solution by integrating all the individual security systems 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 specializing in the field of Mechanical and Electrical ("M&E")

The Group is continually developing the Building M&E knowledge 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 specializing in Automated Storage and Retrieval System ("ASRS"). The logistic solution offered by the Group focuses on efficient storage of goods while preserving their quality and facilitate smooth retrieval as and when needed. Some of the solutions offered 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 business, the ICT support system division was 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, iCare commercial companies and its employees with an easy one-stop claims and data processing and management system. 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/corporate, the company's administrator and healthcare service providers.

CORPORATE STRUCTURE
As at 1 May 2012

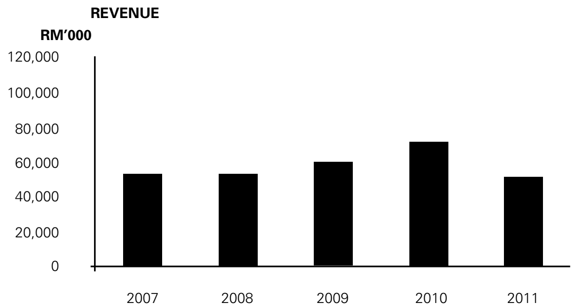
METRONIC
Metronic Global Berhad

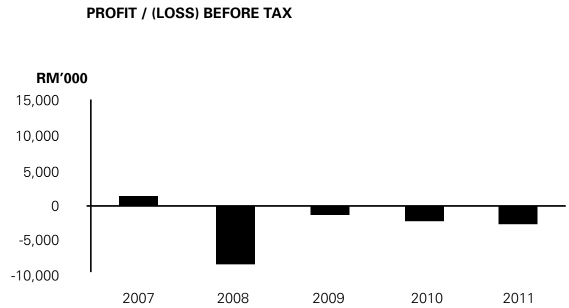
- 100% Metronic Engineering Sdn Bhd
- 100% Metronic Integrated System Sdn Bhd
- 100% Metronic R & D Sdn Bhd
- 100% Metronic Mobile Services Sdn Bhd
- 51% Metronic iCares Sdn Bhd
- 58% Ideal Ultimate Sdn Bhd
- 82.5% IPanel Malaysia Sdn Bhd

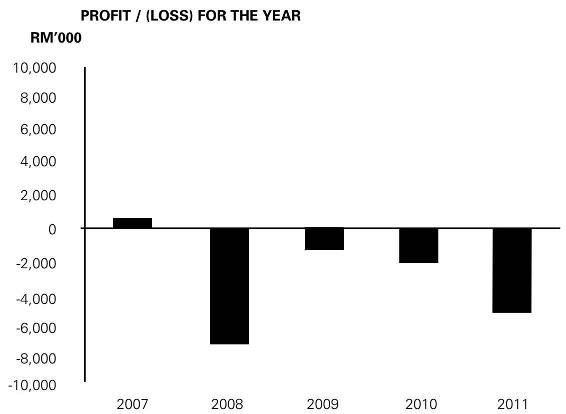
- 100% Metronic Microsystem (Beijing) Co. Ltd (PRC)
- 70% Metronic Engineering Pvt Ltd (India)
- 99% Securetrax Solutions Pte Ltd (Singapore)
- 100% Metronic Vietnam Co. Ltd (Vietnam)
- 100% Anhui Lai'An Metronic Water Supply Co. Ltd (PRC)
- 50% Metronic Saudi Arabia LLC (Saudi Arabia)

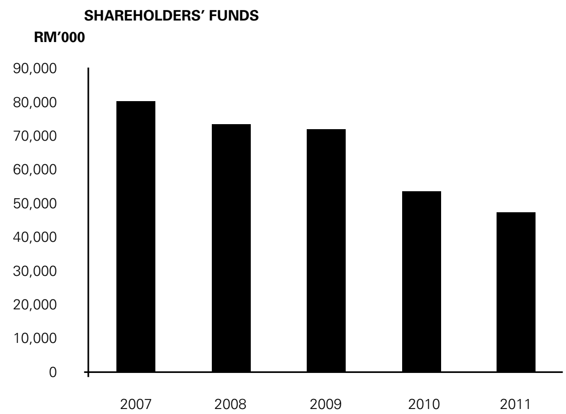
FIVE-YEAR FINANCIAL HIGHLIGHTS

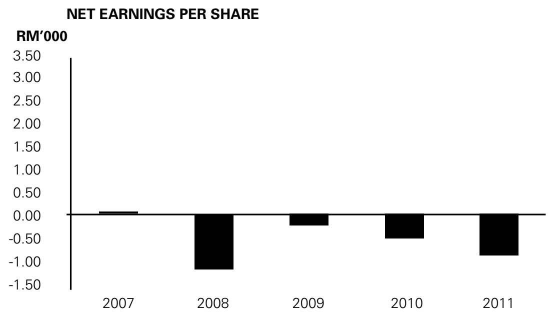
	2007 RM'000 (Restated)	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	52,695	51,662	59,513	71,069	**56,634**
Profit/(loss) before tax	1,268	(7,966)	(915)	(1,454)	**(2,946)**
Profit/(loss) for the year	414	(7,310)	(1,539)	(1,898)	**(4,164)**
Profit/(loss) attributable to equity holders of the Company	988	(7,260)	(2,086)	(2,909)	**(5,061)**
Shareholders' funds	80,728	75,203	72,840	53,107	**47,206**
Net earnings per share (sen)	0.17	(1.14)	(0.33)	(0.46)	**(0.80)**
Net assets per share attributable to equity holders of the Company (sen)	12.71	11.84	11.47	8.36	**7.44**

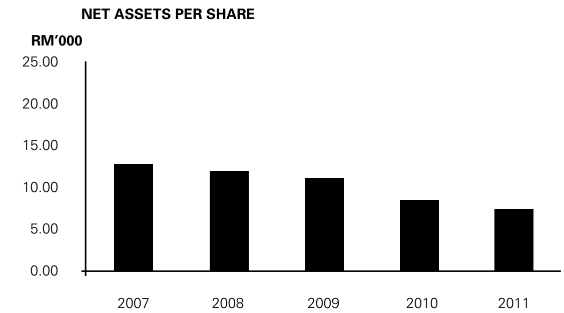












PROFILE OF DIRECTORS

TAN SRI DATO' KAMARUZZAMAN BIN SHARIFF, *Chairman*

Tan Sri Dato' Kamaruzzaman bin Shariff, a Malaysian, aged 70, was appointed as Executive Chairman of Metronic Global Bhd ("MGB" or" the Company") on 22 March 2004 and redesignated to Chairman on 1 March 2012. 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 31 to the Financial Statements. He has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 101.

DATO' ABD. GANI BIN YUSOF, *Executive Vice–Chairman*

Dato' Abd. Gani bin Yusof, a Malaysian, aged 57, was appointed as the Executive Vice-Chairman of the Company on 22 March 2004. He graduated from University 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 in1988 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 the 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 the Executive Chairman of Ariantec Global Berhad and 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 that the disclosures made under Related Party Transactions which appear on Note 31 to the Financial Statements. He has not been convicted for any offences in the past 10 years. He is a substantial shareholder of the Company and details of his shareholdings are disclosed on page 101.

DR NG TEK CHE, *Group Managing Director*

Dr Ng Tek Che, a Malaysian: age 56, 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 Masters 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 systems. 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 directorships in other public companies.

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 31 to the Financial Statements. He has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 101.

LIEW CHIAP HONG, *Executive Director*

Mr Liew Chiap Hong, a Malaysian, aged 56, 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 hospital. He underwent air-filtration, dust collection and clean room technology courses conducted by the Fan 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 directorships in other public companies.

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 31 to the Financial Statements. He has not been convicted for any offences in the past 10 years. He is a shareholder of the Company and details of his shareholdings are disclosed on page 101.

DATUK SUBHI BIN HJ DZIYAUDDIN, *Independent Non-Executive Director*

Datuk Subhi bin Hj Dziyauddin, a Malaysian, aged 49, was appointed as an 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 Committee. 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 directorships in other public companies.

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. He has not been convicted for 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 58, was appointed as the Independent Non-Executive Director of the Company on 30 August 2010. He is also a member of Audit Committee and Nomination 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. He has not been convicted for any offences in the past 10 years. He does not hold any shares in the Company.

CHOW KEE KAN @ CHOW TUCK KWAN, *Independent Non-Executive Director*

Mr, Chow Kee Kan @ Chow Tuck Kwan, a Malaysian, aged 59, was appointed as the Independent Non-Executive Director of the Company on 28 June 2011. He is also a member of Audit Committee and Chairman of Remuneration Committee. He is a Fellow Member of Chartered Association of Certified Accountants, UK, fellow Member of Chartered Tax Institute of Malaysian, Chartered Accountants of Malaysian Institute of Accountants, Associate Member of the Institute of Internal Auditors and a Registered Financial Planner. He is an approved auditors and chartered accountant starting his own practice in 1984 and has at to date more than 35 years practical experience in accounting, auditing, taxation and corporate management consultancy. He is a popular lecturer (since 1980) in courses (English and Mandarin) conducted by colleges, universities and training institutions. He is a MII Certified Trainer. He is also one of the trainers for the MAP Training Programme. At present, he is a council member of Chartered Tax Institute of Malaysia (CTIM) (since 1991) and a Trustee of the Malaysian Accountancy Research and Education Foundation (MAREF). He is also an Independent Director of Cocoaland Holdings Berhad and Hai-O Enterprise 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. He had no conviction of any offences in the past 10 years. He does not hold any shares in the Company.

MOHD AFRIZAN BIN HUSAIN, *Independent Non-Executive Director*

Encik Mohd Afrizan Bin Husain is a Malaysian, aged 44, was appointed as the Independent Non-Executive Director of the Company on 28 June 2011. He is a Chairman of Audit Committee, member of Remuneration and Nomination Committee. He is a fellow Member of the Chartered Association of Certified Accountants (ACCA), member of Malaysian Institute of Accountants (MIA), member of Malaysian Institute of Certified Public Accountants (MICPA), fellow member of Chartered Taxation Institute of Malaysia (CTIM), member of Certified Practising Accountant of Australia (CPA Australia), member ISACA and Certified Information Systems Auditor and member of Certified Public Accountants (M). He has over 21 years of experience in providing audit and business advisory services to a wide range of Malaysian and multinational clients. He has wide range of experience in handling the audits of various organisations which includes those in the telecommunication, manufacturing, services and construction industries in Malaysia. He started his professional career in 1990 with Coopers & Lybrand and Pricewaterhouse Coopers. His last position held was a Manager of the Business Assurance Service with Pricewaterhouse Coopers. Currently, he is a partner of Afrizan Tarmili Khairul Azhar (AFTAAS), a chartered accountants firm.

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. He has not been convicted for 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 2011."

Tan Sri Dato' Kamaruzzaman Bin Shariff, *Chairman*

INDUSTRY AND OPERATING ENVIRONMENT OVERVIEW

The global economic recovery grew at a more moderate pace in 2011 after the strong rebound in 2010. The growth momentum was weighed down by continued structural weaknesses and fiscal issues in the advanced economies, geopolitical developments in the Middle East and North Africa region and the disruptive impact of natural disasters on global manufacturing production.

Despite the challenging international economic environment, the Malaysian economy recorded a steady pace of growth of 5.1% in 2011 due to stronger domestic demand. In 2012, Malaysia's economy is projected to continue experience a steady pace growth of 4 - 5%. Domestic demand is expected to remain resilient and will continue to be the anchor for growth.

The Malaysian overall construction sector expanded at a moderate rate of 3.5% in 2011 (2010: 5.1%) due to slower activity in the civil engineering and non-residential sub-sectors. The growth in this sector for 2012 is expected to improve to 6.6% 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 be the second largest contributor to the Malaysian economic growth in 2012 with a projected growth of 5.1% against 6.8% reported in 2011.

(Source: Bank Negara Annual Report 2011*)*

FINANCIAL REVIEW

The Group recorded a revenue of RM56.63 million for the current financial year ended 31 December 2011, representing a decrease of RM14.44 million or 20% compared to the revenue of RM71.07 million for the previous financial year. The unfavorable performance was mainly attributed to lower revenue generated from the engineering segment as a result of less work order as most of the significant projects were towards completion or completed during the year. ICT support services however recorded a favorable performance with an increase in its revenue.

The Group's loss before taxation increased to RM2.95 million for the current financial year ended 31 December 2011 against the loss before taxation of RM1.45 million for the previous financial year, representing an increase of RM1.50 million or 103%. This is mainly due to the among others, lower revenue recorded during the period and inclusion of a provision of RM2.49 million for a legal suit filed by a sub-contractor in respect of a contract entered into by the Company in 2005.

Engineering Division

Engineering Division remains the major contributor which accounted for 82% of the Group's revenue. Revenue from the Engineering Division decreased by RM15.62 million or 25% from the previous financial year.

During the financial year 2011, the Group successfully secured IBMS and ISMS projects with a total worth of RM21.48 million.

ICT Support Services Division

ICT Support Services Division reported another remarkable growth in revenue for the year 2011 from RM8.82 million to RM10.03 million representing a rise of 13.7%.

Metronic iCares Sdn Bhd's ("MICSB") growth owes much to its clients' belief and confidence in MICSB's technical capabilities and services rendered, coupled with competent execution of works. The iCare System is now well established in the Malaysian healthcare industry. As at today, MICSB has more than 2,800 principal clients with almost one million card members. To assist its principal clients, MICSB has installed end-to-end web-based technology, called iCare System through a network of over 120 panel hospitals and 1,450 panel clinics.

CORPORATE DEVELOPMENTS

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

(i) 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.

(ii) Partial disposal of its investment in Ariantec Global Berhad ("AGB")

MGB, for the months of March and April 2012, in view to realize its investment in AGB which has appreciated considerably, disposed off a total of 36,881,200 of ordinary shares of RM0.10 each held in AGB in open market for a total consideration of RM7.78 million. The disposal decreases the Company's shareholding in AGB from 17% to 10.51%.

PROSPECTS

Looking forward, the Group's revenue will continue to be mainly contributed by its core business of providing 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 one 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. The Group endeavors to explore other business opportunities synergistic to the existing operation in order to build up a strong order book and improve its revenue.

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

Nevertheless, the Group will continue to take various measures to enhance its operational efficiency and effective cost management in order to improve the performance of the Group for the year 2012.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to welcome our new directors, Mr. Chow Kee Kan @ Chow Tuck Kwan and En. Afrizan bin Husain who joined us as the Company's Independent Non-Executive Directors in June 2011.

I would like to record our appreciation to Mr Lim Tzeh Foong who served as a Director from 1 August 2008 to 28 June 2011.

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.

On behalf of the Board

Tan Sri Dato' Kamaruzzaman Bin Shariff
Chairman

STATEMENT ON CORPORATE GOVERNANCE

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 Group. Measures to implement and adopt the principles and best practices of the Malaysian 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 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 current consists of eight (8) members, of whom four (4) members of the Board are Independent Non-Executive Directors. This is in compliance with Paragraph15.02 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 a balanced and independent view at all Board deliberations 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 Chairman and the Group Managing Director to ensure there is a balance of power and authority. The Board is currently led by a Chairman who is primarily responsible for the orderly conduct and working of the Board. The Group Managing Director together with the other Executive Directors 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 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.

A. THE BOARD OF DIRECTORS *(cont'd)*

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, ten (10) 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	Chairman	8/10
Dato' Abd Gani bin Yusof	Executive Vice- Chairman	10/10
Dr. Ng Tek Che	Group Managing Director	10/10
Liew Chiap Hong	Executive Director	9/10
Lim Tzeh Foong Retired at 8th Annual General Meeting held on 28.06.2011	Independent Non-Executive Director	6/6
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director	7/10
Mohd Kamal bin Omar	Independent Non-Executive Director	9/10
Edmund Chuah Choong Eng Huat (Vacated office on 16 March 2011)	Non-Independent Non- Executive	0/1
Chow Kee Kan @ Chow Tuck Kwan Appointed w.e.f. 28.06.2011	Independent Non-Executive Director	3/3
Mohd Afrizan bin Husain Appointed w.e.f. 28.06.2011	Independent Non-Executive Director	3/3

The Board is provided with an agenda together with a set of Board papers prior to 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 clarification 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 Committees

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

(i) Audit Committee

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

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

Members	Designation
Mohd Afrizan bin Husain (Chairman) Appointed w.e.f. 28.6.2011	Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director
Mohd Kamal bin Omar	Independent Non-Executive Director
Chow Kee Kan @ Chow Tuck Kwan Appointed w.e.f. 28.6.2011	Independent Non-Executive Director
Lim Tzeh Foong Retired at 8th Annual General Meeting held on 28.6.2011	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.

A. THE BOARD OF DIRECTORS *(cont'd)*

4) Board Committees *(cont'd)*

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

Members	Designation
Datuk Subhi bin Hj Dziyauddin (Chairman)	Independent Non-Executive Director
Dr. Ng Tek Che	Group Managing Director
Mohd Afrizan bin Husain Appointed w.e.f. 28.6.2011	Independent Non-Executive Director
Chow Kee Kan @ Chow Tuck Kwan Appointed w.e.f. 28.6.2011	Independent Non-Executive Director
Lim Tzeh Foong Retired at 8th Annual General Meeting held on 28.6.2011	Independent Non-Executive 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 the 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.

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

Members	Designation
Chow Kee Kan @ Chow Tuck Kwan (Chairman) Appointed w.e.f. 28.6.2011	Independent Non-Executive Director
Mohd Afrizan bin Husain Appointed w.e.f. 28.6.2011	Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director
Liew Chiap Hong	Executive Director
Lim Tzeh Foong Retired at 8th Annual General Meeting held on 28.6.2011	Independent Non-Executive Director

(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 balance 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.

A. THE BOARD OF DIRECTORS *(cont'd)*

5) Directors' Training

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

The training attended by the Directors in 2011 are as follows:

Members	Topic
Tan Sri Dato Kamaruzzarnan bin Shariff	- Demystifying Fraud: What Directors need to know
Dato' Abd Gani bin Yusof	- Law Governing in a nutshell: Duties and liabilities under Malaysia Companies Act 1965
Dr. Ng Tek Che	- 2012 Budget & Recent Tax Developments
Liew Chiap Hong	- 2012 Budget & Recent Tax Developments
Datuk Subhi bin Hj Dziyauddin	- 2012 Budget & Recent Tax Developments
Mohd Kamal bin Omar	- 2012 Budget & Recent Tax Developments
Mohd Afrizan bin Husain	- National Tax Conference 2011 - Mandatory Accredition Programme - ACCA Malaysia Annual Conference & Budget 2012 – Highlights and Implications - MIA-AFA Conference 2011 - National Tax Seminar 2011 - Governance & Controls: Cobit Workshop
Chow Kee Kan @ Chow Tuck Kwan	- Workshop Practical Issues on Stamp Duty - Stamp duty relief (Exemptions) Under Section 15 & 15A - Related Party Transactions; What Directors and Investors Need To Know - Workshop on Transfer Pricing and International Tax Planning - Workshop on Tax Audits & Tax Investigations – The Experience - Workshop on how to prevent taxes from eating your investment - Workshop on implementation of Single Tier Tax System - Driving Business Transformation Dynamics - Strategic Management - Workshop on Principles and Application of Deferred Taxation - Updates on New Public Rulings in 2011 - 2012 Budget Seminar - 2012 Budget Talk

6) Retirement and Re-election

In accordance with the Company's Articles of Association ('Articles'), all Directors are subject to re-election by shareholders at the next Annual General Meeting 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 of or over the age of seventy years are required to submit themselves for re-appointment annually in accordance to Section 129 (6) of the Companies Act 1965.

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	100,500	136,500
Salaries and Other Emoluments (RM)	702,931	–	702,931

**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 are as follows:

	Executive Director	Non-Executive Director*
Below RM50,000	1	5
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 prescribes disclosure of individual 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 explanation 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-groupcom) 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.

D. ACCOUNTABILITY AND AUDIT *(cont'd)*

2) Internal Control

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) Relationship with Auditors

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

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

4) Directors' Responsibility Statement for the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and their results and cash flows for that year.

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

a) use appropriate accounting policies and 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 disclosed 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 2011, 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 2011.

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 IGDR) Programme

During the financial year, the Company did not sponsor any ADA or GDR programme.

E. OTHER INFORMATION *(cont'd)*

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 fees payable to the external auditors by the Group in respect of the financial year ended 31 December 2011 is RM8,000.

Variation in Results

The Group has reported a deviation of more than 10% in the Profit or Loss After Tax and Non-Controlling Interest between the announced unaudited financial statement and the audited financial statements for the financial year ended 31 December 2011.

The above deviation was attributed principally to the inclusion of a provision of RM2,487,237 for a claim made by CWorks System Berhad ("Cworks") for its legal suit filed against the Company.

At the date of the announcement of the Unaudited Financial Statement, the legal suit was pending hearing and decision by the Court of Appeal in respect of the Company's appeal towards the decision made by the Shah Alam High Court on 28 September 2011 and 11 November 2011 which had entered judgment in favour of Cworks.

The Board of Directors upon due deliberation of the fact and having regard to the opinion given by the appointed legal counsel that the judgment was not final but disputed pending the outcome of the appeal in the Court of Appeal, was of the view that the debt was not acknowledged against the Company yet. The matter however had been disclosed as an explanatory note to the Interim Financial Statement announced on 29 February 2012.

The Court of Appeal, on 18 April 2012, upon hearing of the appeal dismissed the Company's application and a total of RM2,577,735 is payable by the Company and an amount of RM2,487,237 has been accrued for the claim sum and interest up to 31 December 2011 in the audited financial statements for the financial year ended 31 December, 2011.

Following is the summary and the reconciliation of the deviation respectively:

	Audited Accounts RM'000	Unaudited Accounts RM'000	Deviation RM'000	Percentage of Deviation
Profit/(Loss) After Tax and Non Controlling Interest	(5,061)	(2,511)	(2,550)	101.61

Reconciliation	RM'000
Provision for claim from CWorks	(2,487)
Net decrease in expenses & non-controlling interest	(71)
Increase in other operating income	8
Total	**(2,550)**

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 during the financial year.

E. OTHER INFORMATION *(cont'd)*

Contract Relating to Loans

There were no contracts relating to loans by the Company.

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 International Organisation for Standardisation (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 utilized 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 Founders 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 IOT (e.g. email instant messaging etc) for communication. The Group has also implemented recycling of used paper and promoting good practices on energy saving by switching off unused equipment and lightings via Intelligent Building Management System.

AUDIT COMMITTEE REPORT

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 senior management and the internal and external 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 2011 are as follows:

Members	Designation
Mohd Afrizan Bin Husain (Appointed w.e.f. 28 June 2011)	Chairman, Independent Non-Executive Director
Datuk Subhi bin Hj Dziyauddin	Independent Non-Executive Director
Mohd Kamal bin Omar	Independent Non-Executive Director
Mr Chow Kee Kan @ Chow Tuck Kwan (Appointed w.e.f. 28 June 2011)	Independent Non-Executive Director
Lim Tzeh Foong (Retired at 8th Annual General Meeting held on 28 June 2011)	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 external legal and other independent professional advice to assist in executing its duties.

B. TERMS OF REFERENCE *(cont'd)*

4) Meeting

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 meetings upon invitation by the Committee.

The Company Secretary is the Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of 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 systems, including enterprise risk 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 reports 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 policies;
- significant or unusual events
- significant adjustments from audit; and
- compliance with accounting standards and other legal requirements

xi) Review any related party transactions and conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raise questions on management's 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 2011, the Audit Committee convened eight (8) meetings. Details of the attendance of the committee members are as follows:

Members	No. of meetings attended
Mohd Afrizan Bin Husain (Appointed w.e.f. 28 June 2011)	4/4
Datuk Subhi bin Hj Dziyauddin	4/8
Mohd Kamal bin Omar	7/8
Chow Kee Kan @ Chow Tuck Kwan (Appointed w.e.f. 28 June 2011)	4/4
Lim Tzeh Foong (Retired at 8th Annual General Meeting held on 28 June 2011)	4/4

The meetings were appropriately held and sufficient notice issued to the members.

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 2010 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 statutory 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 Boards approval.

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

x) Reviewed the performance of the internal and external auditors and made recommendations 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 Groups 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 RM48,000 for the financial year 2011.

STATEMENT ON INTERNAL CONTROL

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 2011.

1. Board's Responsibility

The Board recognizes the importance of sound internal controls and risk management practice for good corporate governance. The Board affirms its overall responsibility for the Groups'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 recognizes 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.

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 with 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 practiced 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.

3. Internal Audit Function

The internal audit function is outsourced to an external consultant. 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 organization 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 Groups policies,

iii) The Audit Committee comprises four (4) Independent Non-Executive Directors. The Audit Committee was established with a view to assist the Board in the effective discharge of its fiduciary responsibility in respect of the Group's Internal Control Systems, risk management and financial reporting.

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

v) There are 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

DIRECTORS' REPORT

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 2011.

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 15 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	(4,163,885)	(5,724,413)
Owners of the parent	(5,061,489)	(5,724,413)
Non-controlling interests	897,604	–
	(4,163,885)	(5,724,413)

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

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

DIVIDENDS

There were no dividends paid by the Company since 31 December 2010.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2011.

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	
Mohd Kamal bin Omar	
Chow Kee Kan @ Chow Tuck Kwan	*(appointed on 28 June 2011)*
Mohd Afrizan bin Husain	*(appointed on 28 June 2011)*
Lim Tzeh Foong	*(resigned on 28 June 2011)*

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 31 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 1.1.2011	**Bought**	**Sold**	**As at 31.12.2011**
		During the year		
Direct Interest:				
Dato' Abd. Gani bin Yusof	162,167,324	6,302,000	(100,500,000)	67,969,324
Dr Ng Tek Che	33,189,175	–	–	33,189,175
Liew Chiap Hong	39,903,459	–	–	39,903,459
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	–	–	3,714,285
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

None of the other directors in office at 31 December 2011 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.

(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.

OTHER STATUTORY INFORMATION *(cont'd)*

(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 would like to draw attention to the following matters:

(i) In Note 22(A) to the financial statements, included in the trade receivables of the Group as at 31 December 2011 were long outstanding receivables due from a former related party and certain group of receivables totalling RM46,565,420 (2010:RM46,565,420). These debts are due for sub-contract work completed for the former 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 last financial year, the Group had 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.

(ii) In Note 16 and Note 18 to the financial statements, included in the assets available for sale, the Company's investment in Unilink Development Limited ("investee") was diluted from 25.0% to 17.7% as a result of new shares issued from the exercise of option to convert the outstanding loan by Zonemax Holdings Limited in the investee company.

Subsequent to the dilution, the Group and Company's investment were reclassified to available for sale financial assets and the net carrying amount of investment as at 31 December 2011 amounted to RM15,792,501 and RM14,138,945 respectively.

Since the dilution, the Company has no significant influence over the investee company and not able to account for its results under the equity method and no further financial reports are available thereon. The Directors has intention to dispose off the investment.

AUDITORS

The auditors, Messrs LLTC have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2012.

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 97 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 2011 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 38 on page 97 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 26 April 2012.

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 97 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 26 April 2012 **Dr Ng Tek Che**

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF METRONIC GLOBAL BERHAD (INCORPORATED IN MALAYSIA)

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 2011 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 97.

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

We discuss below the extent of the matters that give rise to the qualified opinion in respect of the financial statements for the year ended 31 December 2011 that remained unresolved, in so far they impact both corresponding as well as current year figures provided in the current financial statements.

1) As disclosed in Note 22(A) of the financial statements, the Group has long outstanding receivables due from a former related party and certain group of receivables with their carrying amount totalling RM46,565,420 as at 31 December 2011, of which a total impairment amount of RM20,962,754 has been made. The net carrying amount of these receivables after the impairment provision is RM25,602,666. 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.

   Similar to previous year qualification, we are unable to obtain sufficient appropriate evidence about the timing of collection of these receivables, we are unable to determine if any adjustment to the impairment amount and thus the net carrying amount of these receivables.

2) As disclosed in Note 16 and Note 18 of the financial statements, Unilink Development Limited ("Unilink"), a former associate of the Company alloted 416 new shares of Hong Kong Dollar ("HKD") 1.00 each to Zonemax Holdings Limited, British Virgin Island ("Zonemax"), the other shareholder during the financial year as a result of the exercise of option by Zonemax to convert part of the outstanding loan payable and due from Unilink to new shares.

   Consequently, the Company's equity interest in Unilink was diluted from 25.0% to 17.7% and Unilink ceased to be an associate of the Company thereon.

   The Group and the Company's net carrying amount of this investment as at 31 December 2011 amounted to RM 15,792,501 and RM 14,138,945 respectively.

   The Unilink's financial statements and other documentary evidence, are not available for our audit and there no other audit procedures that we can rely on to ascertain the appropriateness of the net carrying amount of the investment, and any further impairment is required for the said investment.

REPORT ON THE FINANCIAL STATEMENTS *(cont'd)*

Qualified Opinion

In our opinion, except for the possible effects of the matters 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 2011 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 15 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 except for the qualification on trade receivables as discussed in paragraph 1) above.

OTHER MATTERS

The supplementary information set out in Note 38 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.

The financial statements of the Group and the Company for the year ended 31 December 2010 were audited by another auditor who expressed a qualified opinion on the trade receivables with net carrying amount of RM 26,230,614 on 28 April 2011.

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.

LLTC
AF: 1114
Chartered Accountants

Lim Chee Hoong
No. 1783/02/14(J)
Partner

Kuala Lumpur, Malaysia
26 April 2012

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group		Company	
		2011	2010	2011	2010
		RM	RM	RM	RM
Revenue	4	**56,633,612**	71,068,783	**–**	–
Cost of sales	5	**(30,746,941)**	(48,243,398)	**–**	–
Gross profit		**25,886,671**	22,825,385	**–**	–
Other income	6	**1,768,119**	1,135,004	**6,661**	2,725,111
Administration expenses		**(5,155,276)**	(4,375,478)	**(573,659)**	(603,615)
Other operating expenses		**(25,029,341)**	(22,395,464)	**(5,157,415)**	(8,290,835)
Loss from operations		**(2,529,827)**	(2,810,553)	**(5,724,413)**	(6,169,339)
Finance costs	7	**(416,584)**	(595,014)	**–**	–
Share of profit of an associate		**–**	1,951,950	**–**	–
Loss before taxation	8	**(2,946,411)**	(1,453,617)	**(5,724,413)**	(6,169,339)
Income tax expenses	9	**(1,217,474)**	(444,500)	**–**	–
Loss for the year		**(4,163,885)**	(1,898,117)	**(5,724,413)**	(6,169,339)
Other comprehensive income:					
Available-for-sale financial assets					
- fair value changes	18	**(1,983,419)**	(4,056,846)	**(1,449,866)**	(4,349,599)
- transfer to profit or loss	8(a)	**966,578**	3,866,310	**966,578**	3,866,310
- transfer to profit or loss upon disposal		**178,039**	(18,142)	**–**	–
Foreign currency translation		**(98)**	(1,517,639)	**–**	–
Other comprehensive loss for the year, net of tax		**(838,900)**	(1,726,317)	**(483,288)**	(483,289)
Total comprehensive (loss)/income for the year, net of tax		**(5,002,785)**	(3,624,434)	**(6,207,701)**	(6,652,628)
Loss attributable to:					
Owners of the parent		**(5,061,489)**	(2,909,357)	**(5,724,413)**	(6,169,339)
Non-controlling interests		**897,604**	1,011,240	**–**	–
		(4,163,885)	(1,898,117)	**(5,724,413)**	(6,169,339)
Total comprehensive income attributable to:					
Owners of the parent		**(5,900,389)**	(4,635,674)	**(6,207,701)**	(6,652,628)
Non-controlling interests		**897,604**	1,011,240	**–**	–
		(5,002,785)	(3,624,434)	**(6,207,701)**	(6,652,628)
Loss per share (sen):					
Basic (loss)	10	0.80	0.46		
Diluted (loss)	10	0.80	0.46		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**10,555,548**	10,698,635	**–**	–
Investment properties	13	**393,415**	398,682	**–**	–
Intangible assets	14	**248,160**	833,299	**–**	–
Investment in subsidiaries	15	**–**	–	**27,443,762**	27,244,430
Investment in associate	16	**–**	17,321,972	**-**	15,668,416
Investment in joint venture	17	**–**	–	**220,850**	220,850
Available-for-sale financial assets	18	**20,022,140**	6,213,058	**18,005,255**	5,316,176
Other investments	19	**94,000**	94,000	**–**	–
Deferred tax assets	20	**8,609,167**	8,490,526	**–**	–
		39,922,430	44,050,172	**45,669,867**	48,449,872
Current assets					
Inventories	21	**1,155,569**	2,384,257	**–**	–
Trade receivables	22	**87,266,836**	91,008,046	**–**	–
Other receivables	22	**4,816,531**	4,327,090	**11,717,164**	12,352,065
Short term deposits	24	**7,769,106**	8,179,679	**–**	–
Cash and bank balances	25	**9,145,757**	5,084,730	**167,063**	957,296
		110,153,799	110,983,802	**11,884,227**	13,309,361
Total assets		**150,076,229**	155,033,974	**57,554,094**	61,759,233

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2011

	Note	Group		Company	
		2011	2010	2011	2010
		RM	RM	RM	RM
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	26	**63,490,690**	63,490,690	**63,490,690**	63,490,690
Foreign currency translation reserve	27	**85,222**	85,320	**–**	–
Available-for-sale reserve	27	**175,098**	1,013,900	**–**	483,288
Accumulated losses	28	**(16,544,527)**	(11,483,038)	**(10,730,750)**	(5,006,337)
		47,206,483	53,106,872	**52,759,940**	58,967,641
Non-controlling interests		**3,275,460**	2,234,215	**–**	–
Total equity		**50,481,943**	55,341,087	**52,759,940**	58,967,641
Non-current liabilities					
Loans and borrowings	29	**173,821**	293,392	**–**	–
		173,821	293,392	**–**	–
Current liabilities					
Trade payables	30	**72,717,478**	71,535,020	**–**	–
Other payables	30	**19,826,923**	16,699,034	**4,794,154**	2,791,592
Loans and borrowings	29	**5,731,454**	10,875,441	**–**	–
Provision for taxation		**1,144,610**	290,000	**–**	–
		99,420,465	99,399,495	**4,794,154**	2,791,592
Total liabilities		**99,594,286**	99,692,887	**4,794,154**	2,791,592
Total equity and liabilities		**150,076,229**	155,033,974	**57,554,094**	61,759,233

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the parent						
	Non-Distributable			Distributable			
	Share capital	Foreign currency translation reserve	Available-for-sale reserve	Retained profits/ (accumulated loss)	Total	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM
Group							
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	–	–	–	–	–	(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
At 1 January 2011	63,490,690	85,320	1,013,900	(11,483,038)	53,106,872	2,234,215	55,341,087
Total comprehensive (loss)/income	–	(98)	(838,802)	(5,061,489)	(5,900,389)	897,604	(5,002,785)
Transaction with owners:							
Acquisition of a subsidiary	–	–	–	–	–	143,641	143,641
At 31 December 2011	63,490,690	85,222	175,098	(16,544,527)	47,206,483	3,275,460	50,481,943

	Non-Distributable		Distributable	
	Share capital	Available-for-sale reserve	Retained profits/ (accumulated loss)	Total Equity
	RM	RM	RM	RM
Company				
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
At 1 January 2011	63,490,690	483,288	(5,006,337)	58,967,641
Total comprehensive loss	–	(483,288)	(5,724,413)	(6,207,701)
At 31 December 2011	63,490,690	–	(10,730,750)	52,759,940

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash flows from operating activities				
Loss before taxation	**(2,946,411)**	(1,453,617)	**(5,724,413)**	(6,169,339)
Adjustments for:				
Loss/(gain) on disposal of property, plant and equipment (Note 8(a))	**(285)**	35,043	**–**	–
Gain on disposal of available-for-sale financial assets (Note 8(a))	**(398,426)**	(20,927)	**–**	–
Loss on disposal of an associate (Note 8(a))	**1,529,471**	–	**1,529,471**	–
Unrealised foreign exchange (gain)/loss (Note 8(a))	**(164,667)**	304,610	**–**	–
Depreciation of property, plant and equipment (Note 8(a))	**618,386**	576,965	**–**	–
Write-off of property, plant and equipment	**–**	–	**–**	–
Depreciation of investment properties (Note 8(a))	**5,267**	5,267	**–**	–
Amortisation of intangible assets (Note 8(a))	**597,201**	904,573	**–**	–
Amortisation of prepaid lease payment (Note 8(a))	**–**	11,028	**–**	–
Impairment loss on/ Write-off of intangible assets (Note 8(a))	**–**	327,048	**–**	–
Impairment loss on trade receivables (Note 8(a))	**2,192,035**	2,435,226	**–**	–
Provision for compensation loss of contract cost	**2,487,237**	–	**2,487,237**	–
Write back of impairment loss for on trade receivables (Note 8(a))	**(1,116,597)**	(258,208)	**–**	–
Interest income on financial guarantee (Note 6)	**–**	–	**–**	(1,504,603)
Bad debt written off (Note 8(a))	**44,708**	–	**44,708**	223,246
Impairment loss/(reversal of impairment loss) on available-for-sale financial assets (Note 8(a))	**966,578**	3,866,310	**966,578**	3,866,310
Reversal of impairment loss of investment properties (Note 8(a))	**–**	(20,000)	**–**	–
Impairment loss of investment in subsidiaries (Note 8(a))	**–**	–	**–**	1,846,658
Provision for defect liabilities (Note 8(a))	**849,026**	1,146,692	**–**	–
Write-down of inventories (Note 8(a))	**452,860**	75,266	**12,253**	–
Share of (profit)/loss of associate	**–**	(1,951,950)	**–**	–
Finance costs (Note 7)	**416,584**	595,014	**–**	–
Interest income (Note 6)	**(240,022)**	(181,627)	**(6,661)**	(20,508)
Operating profit/(loss) before working capital changes	**5,292,945**	6,396,713	**(690,827)**	(1,758,236)
Changes in working capital:				
Inventories	**775,828**	(1,007,075)	**–**	–
Receivables	**1,282,597**	(26,891,972)	**577,940**	2,408,992
Payables	**1,823,110**	19,492,658	**(348,567)**	(452,151)
Net cash (used in)/generated from operations	**9,174,480**	(2,009,676)	**(461,454)**	198,605
Taxes (paid)/refunded	**(488,451)**	(979,597)	**–**	–
Interests paid	**(416,584)**	(595,014)	**–**	–
Interests received	**240,022**	181,627	**6,661**	20,508
Net cash (used in)/generated from operating activities	**8,509,467**	(3,402,660)	**(454,793)**	219,113

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash flows from investing activities				
Subscription of additional shares in subsidiaries	**–**	–	**(335,440)**	(1,099,759)
Purchase of property, plant and equipment (Note 12)	**(136,786)**	(396,120)	**–**	–
Purchase of intangible assets (Note 14)	**(12,062)**	(27,360)	**–**	–
Proceeds from disposal/acquisition of prepaid lease payment	**–**	487,989	**–**	–
Proceeds from disposal of property, plant and equipment	**2,525**	44,694	**–**	–
Proceeds from disposal of available-for-sale financial assets	**720,106**	58,860	**–**	–
Net cash generted from/(used in) investing activities	**573,783**	168,063	**(335,440)**	(1,099,759)
Cash flows from financing activities				
Withdrawal of fixed deposits under lien with licensed banks	**318,987**	178,397	**–**	1,726,483
Drawdown of bankers' acceptances	**7,601,547**	14,134,220	**–**	–
Repayment of bankers'acceptances	**(9,508,620)**	(15,995,207)	**–**	–
Drawdown of short term loans	**–**	4,579,238	**–**	–
Repayment of short term loans	**(3,339,112)**	(1,240,126)	**–**	–
Repayment of obligation under finance leases	**(114,745)**	(46,950)	**–**	–
Net cash generated from/(used in) financing activities	**(5,041,943)**	1,609,572	**–**	1,726,483
Net (decrease)/increase in cash and cash equivalents	**4,041,307**	(1,625,025)	**(790,233)**	845,837
Effects of foreign exchange rate changes	**(169,238)**	450,448	**–**	–
Cash and cash equivalents at beginning of the year	**3,532,053**	4,706,630	**957,296**	111,459
Cash and cash equivalents at end of the year (Note 25)	**7,404,122**	3,532,053	**167,063**	957,296

Cash and cash equivalents at the reporting date comprise the following (Note 25):

Cash and bank balances	**9,145,757**	5,084,730	**167,063**	957,296
Fixed deposits with licensed banks	**689,594**	781,180	**–**	–
Bank overdrafts (Note 29)	**(2,431,229)**	(2,333,857)	**–**	–
	7,404,122	3,532,053	**167,063**	957,296

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 Unit 621, 6th Floor, Block A, Kelana Centre Point, No.3,Jalan SS7/19, 47301 Kelana Jaya, Petaling Jaya, Selangor Darul Ehsan. 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 15 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 26 April 2012.

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.

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 2011, 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 2011.

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates and Joint Ventures (as amended in November 2011)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS 128	Investment in Associates
Amendments to FRS 131	Investment in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation – Classification of Rights Issues
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Changes in accounting policies *(cont'd)*

IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 13	Customer Loyalty Programmes
TR i-4	Shariah Compliant Sale Contracts

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.

2.3 Standards issued but not yet effective

The following FRSs, Amendments to FRSs and IC Interpretations have been issued by the MASB but are not yet effective:

Effective for annual periods commencing on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Effective for annual periods commencing on or after 1 January 2012

FRS 124	Related Party Disclosures
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets

Effective for annual periods commencing on or after 1 July 2012

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

Effective for annual periods commencing on or after 1 January 2013

FRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 10	Consolidated Financial Statements
FRS 11	*Joint Arrangements*
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements (2011)
FRS 128	Investment in Associates and Joint Ventures (2011)

Malaysian Financial Reporting Standard ("MFRS Framework")

On 19 November 2011, the MASB announced the adoption of the Malaysian Financial Reporting Standards (''MFRS Framework"). The MFRS framework is effective from 1 January 2012 and is to facilitate convergence with the International Financial Reporting Standards ("IFRS"). Following the announcement, the Group's and the Company's next set of financial statement for the annual period beginning on 1 January 2012 will be prepared in accordance with the MFRS framework issued by MASB and IFRS. As a result of the Group and of the Company adoption of the MFRS framework, the Group and the Company will not be adopting the above FRSs, Interpretations and Amendments.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 non-controlling interests

Non-controlling 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 non-controlling interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of monority 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 non-controlling interests is recognised directly in equity.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.7 Associates *(cont'd)*

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.

2.8 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Joint venture *(cont'd)*

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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)*

(iii) Research and development costs

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

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 balance sheet date, based on the performance bond amount or a fixed rate of the contract value as stipulated in the contract. The defect liability period of one to three years is specified in the contracts.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Financial liabilities *(cont'd)*

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.

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Employee benefits *(cont'd)*

(ii) Defined contribution plans

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

(iii) Termination benefits

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

2.28 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.28 Income taxes *(cont'd)*

(ii) Deferred tax *(cont'd)*

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.

2.30 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 37.

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 2011, the amount of impairment loss recognised for available-for-sale financial assets was RM966,578 (2010:RM3,866,310).

(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 8% 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.

(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 2011 is RM34,413 (2010: RM457,564).

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

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

(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 22.

<u>A former related party and other former trade debtors</u>
The outstanding debts from a related party, as disclosed in Note 22 (A)(i), amounting to RM44,450,738 (2010: RM44,450,738), is over the normal credit period given to customers. Included in this RM44,450,738 is the retention amount of RM10,530,270 (2010: RM10,530,270) which is due upon the expiry of the warranty in last financial year 2010.

There are also balances due from certain group of debtors of RM2,114,682 (2010: RM2,114,682) which relate to work performed by the Group on a number of the above-mentioned projects, as disclosed in Note 22(A)(ii). Included in this RM2,114,682 is the retention amount of RM519,651 (2010: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 previous 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 RM20,962,754 on these debtors. Included in this amount of RM20,962,754 is the impairment related to retention sums of RM4,730,201. 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 RM2,939,504. The estimated expected collection timeframe was based on management's past experience.

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

(iv) Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

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

(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 balance sheet date are not impaired. Based on these assessments, the Directors are of the opinion that no impairment loss is required.

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

The management of the Company determines whether the carrying amounts of its investments in unquoted shares outside Malaysia are impaired at 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.

(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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Contract work	**34,070,935**	50,325,601	**–**	–
Maintenance services	**11,284,320**	10,177,917	**–**	–
Sale of equipment	**1,275,203**	1,747,055	**–**	–
Administration and consultancy services	**10,003,154**	8,818,210	**–**	–
Dividend income from an associate	**–**	–	**–**	–
	56,633,612	71,068,783	**–**	–

5. COST OF SALES

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Contract costs (Note 24)	**26,326,759**	43,513,274	**–**	–
Maintenance services	**3,470,155**	3,235,145	**–**	–
Cost of equipment sold	**950,027**	1,494,979	**–**	–
	30,746,941	48,243,398	**–**	–

6. OTHER INCOME

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest income	**240,022**	181,627	**6,661**	20,508
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	**285**	–	**–**	–
Gain on disposal of available-for-sale financial assets	**398,426**	20,927	**–**	–
Gain on disposal of an associate	**–**	–	**–**	–
Recovery of impairment loss on trade receivables	**1,116,597**	559,391	**–**	–
Management fee	**–**	–	**–**	1,200,000
Rental income	**–**	24,000	**–**	–
Interest from overdue debtors	**–**	–	**–**	–
Processing fee	**–**	315,354	**–**	–
Miscellaneous	**12,789**	13,705	**–**	–
	1,768,119	1,135,004	**6,661**	2,725,111

7. FINANCE COSTS

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest expense on:				
Short term borrowing	**73,043**	163,605	**–**	–
Bank overdraft	**154,978**	197,691	**–**	–
Bankers' acceptances	**167,476**	225,130	**–**	–
Obligation under finance lease	**21,087**	8,588	**–**	–
Total interest expense	**416,584**	595,014	**–**	–

8. LOSS BEFORE TAXATION

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
(a) After charging/(crediting):				
Staff costs (Note 8(c))	**13,415,320**	12,657,496	**(71,002)**	756,019
Auditors' remuneration				
Statutory audits:				
- parent auditors	**100,000**	162,000	**42,000**	68,000
- other auditors	**52,108**	88,433	**–**	–
- under provision in prior year	**–**	5,988	**–**	–
Other services:				
- parent auditors	**8,000**	40,000	**8,000**	40,000
Depreciation of property, plant and equipment (Note 12)	**618,386**	576,965	**–**	–
Amortisation of intangible assets (Note 14)	**597,201**	904,573	**–**	–
Impairment loss on/Write off of intangible assets (Note 14)	**–**	327,048	**–**	–
Amortisation of prepaid lease payment	**–**	11,028	**–**	–
Directors' remunerations (Note 8(b))	**1,386,648**	1,236,312	**307,932**	804,962
Rental income	**–**	(24,000)	**–**	–
Rental expense	**276,740**	290,340	**12,000**	12,000
Foreign exchange (gain)/loss				
- realised	**59,468**	186,090	**–**	–
- unrealised	**(164,667)**	304,610	**–**	–
Impairment loss on trade receivables (Note 22(A))	**2,192,035**	2,435,226	**–**	–
Impairment loss on available-for-sale financial assets (Note 18)	**–**	–	**–**	–
- quoted equity instruments	**966,578**	3,866,310	**966,578**	3,866,310
Impairment loss on other investment (Note 19)	**–**	–	**–**	–
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 23)	**849,026**	1,146,692	**–**	–
Impairment loss of investment in subsidiaries (Note 15)	**–**	–	**–**	1,846,658
Inventory written off	**1,684**	–	**–**	–
Write-down of inventories	**451,176**	75,266	**12,253**	–
Interest income				
- short term deposits	**(226,707)**	(176,827)	**(6,661)**	(20,508)
- financial guarantees granted in respect of subsidiaries (Note 2.22)	**–**	–	**–**	(1,504,603)
- loan stocks	**(13,315)**	(4,800)	**–**	–

8. LOSS BEFORE TAXATION *(cont'd)*

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
(a) After charging/(crediting) ***(cont'd)*****:**				
Gain on disposal of available-for-sale financial assets	**(398,426)**	(20,927)	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(285)**	35,043	**–**	–
Loss on disposal of an associate (Note 18)	**1,529,471**	–	**1,529,471**	–
Provision for compensation loss of contract cost	**2,487,237**	–	**2,487,237**	–
Bad debts written off	**44,708**	–	**44,708**	223,246
Recovery of impairment loss on trade receivables (Note 22(A))	**(177,939)**	(559,391)	**–**	–
Write back of impairment loss on trade receivables (Note 22(A))	**(1,116,597)**	(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	
	2011	**2010**
	RM	**RM**
(i) Directors of the company:		
Executive directors' remuneration:		
Fees	**–**	36,000
Defined contribution benefit	**–**	73,542
Other emoluments	**171,432**	629,420
	171,432	738,962
Non-executive directors' remuneration:		
Fees	**136,500**	66,000
Total	**307,932**	804,962

	Group	
	2011	**2010**
	RM	**RM**
(ii) Directors of the subsidiaries:		
Executive directors' remuneration:		
Fees	**–**	–
Defined contribution benefit	**620**	664
Other emoluments	**1,078,096**	430,686
	1,078,716	431,350

8. LOSS BEFORE TAXATION *(cont'd)*

(b) Directors' remuneration:

	Group 2011 RM	Group 2010 RM
(ii) Directors of the subsidiaries:		
Non-executive directors' remuneration:		
Fees	**–**	–
Total	**1,078,716**	431,350
Total directors' remuneration	**1,386,648**	1,236,312

(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 2011	Number of Directors 2010
Executive directors:		
Below RM50,000	**1**	1
RM50,001 - RM100,000	**–**	–
RM100,001 - RM150,000	**–**	–
RM150,001 - RM200,000	**1**	1
RM200,001 - RM250,000	**1**	1
RM250,001 - RM300,000	**1**	1
Non-Executive directors:		
Below RM50,000	**4**	3
Past director:		
Below RM50,000	**1**	1

(c) Employee information

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Staff costs (excluding directors' emoluments):				
Salary, wages and bonus	10,825,477	10,377,451	(51,002)	629,543
Defined contribution	1,223,259	1,171,048	–	75,914
Other staff related expenses	1,366,584	1,108,997	(20,000)	50,562
	13,415,320	12,657,496	(71,002)	756,019

9. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Malaysian taxation based on the results for the year:				
- Current	**859,457**	651,300	**–**	–
- Under/(Over) provision in prior years	**483,604**	(9,800)	**–**	–
Deferred tax (Note 20)				
- Relating to origination and reversal of temporary differences	**124,413**	(169,000)	**–**	–
- Over provision in prior year	**(250,000)**	(28,000)	**–**	–
	1,217,474	444,500	**–**	–

A reconciliation between tax expense and the product of accounting profit multiplies by the applicable corporate tax rate for the year ended 31 December 2011 and 2010 are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Loss before taxation	**(2,946,411)**	(1,453,617)	**(5,724,413)**	(6,169,339)
Taxation at the statutory tax rate of 25% (2010: 25%)	**(736,603)**	(363,404)	**(1,431,103)**	(1,542,335)
Effect of different tax rate in subsidiaries	**(63,146)**	(22,531)	**–**	–
Effect of expenses not deductible for tax purposes	**2,672,017**	2,275,747	**1,431,103**	1,919,082
Utilisation of previously unrecognised tax losses	**–**	–	**–**	–
Effects of share of (profit)/loss of associates	**–**	(487,987)	**–**	–
Effect of income not subject to tax	**(899,045)**	(1,036,470)	**–**	(376,747)
Under/(Over) provision of tax expense in prior years	**483,604**	(9,800)	**–**	–
Over provision of deferred tax in prior year	**(250,200)**	(28,000)	**–**	–
Deferred tax assets not recognised	**10,647**	116,945	**–**	–
	1,217,274	444,500	**–**	–

During the financial year, Inland Revenue Board ("IRB") has conducted the tax audit on its subsidiary, Metronic Engineering Sdn. Bhd. (MESB"). IRB based on the audit has proposed for adjustment of additional tax payable amounting to RM 558,456 for the year of assessment 2006 for its income derived from oversea project previously recognise as exempted income. MESB has subsequently filed its appeal and currently the matter still being reviewed and pending further decision from IRB.

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.

	2011	**2010**
Loss attributable to ordinary equity holders of the Company (RM)	**(5,061,489)**	(2,909,357)
Weighted average number of ordinary shares in issue	**634,906,903**	634,906,903
Basic/diluted loss per share (sen)	**0.80**	0.46

11. DIVIDENDS

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2011.

12. PROPERTY, PLANT AND EQUIPMENT

Group	**Freehold land RM**	**Freehold buildings RM**	**Leasehold building RM**	**Motor vehicles RM**	**Furniture, fittings and equipment RM**	**Renovations RM**	**Total 2011 RM**
Cost							
At 1 January 2011	**1,223,566**	**4,440,919**	**4,456,156**	**139,677**	**3,445,511**	**794,039**	**14,499,868**
Additions	**–**	**–**	**–**	**12,000**	**115,637**	**9,149**	**136,786**
Disposals	**–**	**–**	**–**	**–**	**(5,671)**	**–**	**(5,671)**
Exchange differences	**–**	**–**	**343,009**	**1,144**	**(11,355)**	**8,792**	**341,590**
At 31 December 2011	**1,223,566**	**4,440,919**	**4,799,165**	**152,821**	**3,544,122**	**811,980**	**14,972,573**
Accumulated depreciation and impairment							
At 1 January 2011	**–**	**617,239**	**510,769**	**78,620**	**2,400,824**	**193,781**	**3,801,233**
Depreciation charge for the year (Note 8(a))	**–**	**92,065**	**135,300**	**25,899**	**329,058**	**36,064**	**618,386**
Disposals	**–**		**–**	**–**	**(3,431)**	**–**	**(3,431)**
Exchange differences	**–**	**–**	**–**	**1,193**	**(356)**	**–**	**837**
At 31 December 2011	**–**	**709,304**	**646,069**	**105,712**	**2,726,095**	**229,845**	**4,417,025**
Net carrying value							
At 31 December 2011	**1,223,566**	**3,731,615**	**4,153,096**	**47,109**	**818,027**	**582,135**	**10,555,548**

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Group	Freehold land RM	Freehold buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2010 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							
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 RM4,955,178 (2010: RM5,047,246) 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 RM1 (2010 :RM12,600).

Assets held under finance leases

During the financial year, the Group acquired furniture, fitting and equipments with an aggregate cost of RM11,700 (2010: RM375,374) by means of finance leases.

The carrying amount of furniture, fitting and equipments held under finance leases at the last reporting date were RM277,075 (2010 :RM301,344).

13. INVESTMENT PROPERTIES

	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Group				
Cost				
At 1 January 2011/At 31 December 2011	**245,909**	**179,644**	**362,979**	**788,532**
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2011	**75,909**	**41,644**	**272,297**	**389,850**
Reversal of impairment loss (Note 6)	**–**	**–**	**–**	**–**
Depreciation charge (Note 8(a))	**–**	**3,000**	**2,267**	**5,267**
At 31 December 2011	**75,909**	**44,644**	**274,564**	**395,117**
Net carrying value				
At 31 December 2011	**170,000**	**135,000**	**88,415**	**393,415**
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
Net carrying value	75,909	41,644	272,297	389,850
At 31 December 2010	170,000	138,000	90,682	398,682

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

The following investment properties are held under lease terms:

	Group	
	2011 RM	2010 RM
Leasehold building	**88,415**	90,682

All investment properties are pledged as securities for borrowings (Note 29).

14. INTANGIBLE ASSETS

Group	Software RM	Development Costs RM	Goodwill RM	Total RM
Cost				
At 1 January 2010	1,480,866	3,698,852	–	5,179,718
Additions				
- purchased	22,500	4,860	–	27,360
- acquired subsidiary	–	–	–	–
Write-off (Note 8 (a))	–	–	–	–
At 31 December 2010 and 1 January 2011	1,503,366	3,703,712	–	5,207,078
Additions				
- purchased	9,042	3,020	–	12,062
At 31 December 2011	**1,512,408**	**3,706,732**	**–**	**5,219,140**
Accumulated Amortisation and Impairment				
At 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 and 1 January 2011	1,127,631	3,246,148	–	4,373,779
Amortisation (Note 8(a))	171,030	426,171	–	597,201
Impairment loss (Note 8(a))	–	–	–	–
At 31 December 2011	**1,298,661**	**3,672,319**	**–**	**4,970,980**
Net carrying value				
As at 31 December 2011	**213,747**	**34,413**	**–**	**248,160**
As at 31 December 2010	375,735	457,564	–	833,299

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 last 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	
	2011	**2010**
	%	**%**
Budgeted gross margin	**30.0**	30.0
Growth rate	**20.0 - 25.0**	20.0 - 25.0
Discount rate	**6.5**	6.5

(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. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	**2010**
	RM	**RM**
Unquoted shares, at cost		
In Malaysia,	**23,954,596**	23,954,596
Outside Malaysia	**10,581,230**	10,245,790
	34,535,826	34,200,386
Less: Accumulated impairment losses	**(8,778,209)**	(8,778,209)
Add: Provision of financial guarantees by the parent	**1,686,145**	1,822,253
	27,443,762	27,244,430

15. INVESTMENT IN SUBSIDIARIES *(cont'd)*

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Equity Interest held 2011 %	2010 %	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 security management system.
Metronic iCares Sdn. Bhd.	Malaysia	**51**	51	Third Party Administrator ("TPA") and Managed Care Organisation ("MCO") for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.
Metronic Mobile Services Sdn. Bhd.	Malaysia	**100**	100	Dormant.
Metronic R&D Sdn. Bhd.	Malaysia	**100**	100	Research, development, production and marketing of building automation and security system products, modules and related parts.
Securetrax Solutions Private Limited*	Singapore	**99**	99	Dormant.
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.

15. INVESTMENT IN SUBSIDIARIES *(cont'd)*

Name of Company	Country of incorporation	Equity Interest held 2011 %	2010 %	Principal activities
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 LLTC

** Inclusive of an indirect interest of 7.5% held via IPanel Ptd Ltd.

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

(i) Investment in Metronic Engineering Private Limited

During the financial year, the Company has increased its investment capital in Metronic Engineering Private Limited, India by INR4,900,000 (equivalent to RM335,440) to INR8,400,000 (equivalent to RM621,027), the percentage holding remains at 70% as it was increased proportionate with the remaining shareholder.

16. INVESTMENT IN ASSOCIATE

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost:				
Outside Malaysia	–	15,668,416	–	15,668,416
	–	15,668,416	–	15,668,416
Share of post-acquisition reserves	–	1,769,473	–	–
Exchange differences	–	(115,917)	–	–
	–	17,321,972	–	15,668,416

16. INVESTMENT IN ASSOCIATE *(cont'd)*

Details of the associates are as follows:

Name of Company	Country of incorporation	Equity interest held 2011	Equity interest held 2010	Voting power held 2011	Voting power held 2010	Principal activities
Held by the Company:						
Unilink Development Limited	Hong Kong	–	25	–	25	Investment holding
Subsidiaries of Unilink Development Limited:						
Newtronics Hangzhou Co., Ltd	The People's Republic of China	–	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	High volume printed circuit board assembly, cellular phones and other electronic products assembly

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:

	2011 RM	2010 RM
Assets and liabilities		
Current assets	–	38,640,588
Non-current assets	–	32,947,781
Total assets	–	71,588,369
Current liabilities	–	18,055,118
Non-current liabilities	–	11,634,619
Total liabilities	–	29,689,737
Income statement		
Revenue	–	88,211,921
Profit/(loss) for the year	–	7,807,800

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 2011	6,847,314
Exchange differences	–
At 31 December 2010/1 January 2011	6,847,314
Reclassified as available-for-sale financial assets (Note 18)	(6,847,314)
At 31 December 2011	–

16. INVESTMENT IN ASSOCIATE *(cont'd)*

(b) During the financial year, the Company's investment in Unilink Development Limited ("Unilink") was diluted from 25.0% to 17.7% as a result of the issue of shares from the exercise of option by the other shareholder to convert its outstanding loan due by Unilink. Subsequent to the dilution, the Company has no significant influence over Unilink and hence the investment and its net carrying amount is reclassified as available-for-sale financial assets under Note 18.

17. INVESTMENT IN JOINT VENTURE

	Company	
	2011	**2,010**
	RM	**RM**
Unquoted shares, at cost:		
Outside Malaysia	220,850	220,850

Name of Company	Country of incorporation	2011 %	2010 %	Principal Activities
Metronic Saudi Arabia Limited Liability Company	King-dom 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:

	2011	**2010**
	RM	**RM**
Assets and liabilities		
Current assets	**303,850**	303,850
Non-current assets	**–**	–
Total assets	**303,850**	303,850
Current liabilities	**83,000**	83,000
Non-current liabilities	**–**	–
Total liabilities	**83,000**	83,000
Income statement		
Revenue	**–**	–
Expenses, including finance costs and taxation	**–**	–

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Available-for-sale financial assets				
Quoted securities in Malaysia:				
At 1 January	**6,213,058**	–	**5,316,176**	–
Reclassification from other investments	**–**	9,103,401	**–**	8,699,198
Effects of adopting FRS139	**–**	1,222,578	**–**	966,577
At 1 January, restated	**6,213,058**	10,325,979	**5,316,176**	9,665,775
Reclassification from investment in associate (Note 16)	**17,321,972**	–	**15,668,416**	–
Change in fair value	**(1,983,419)**	(4,056,846)	**(1,449,866)**	(4,349,599)
Disposal	**(1,529,471)**	(56,075)	**(1,529,471)**	–
At 31 December, at fair value	**20,022,140**	6,213,058	**18,005,255**	5,316,176

Impairment losses

During the financial year, the Group and the Company recognised impairment loss of RM966,578 (2010: RM3,866,310) 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.

The investment in Unilink Development Limited is captured at its net carrying amount subsequent to the dilution of the investment from 25.0% to 17.7% held by the Company.

As a result of the dilution, the Company has no significant influence over Unilink and unable to obtain any management report nor statutory financial statements on its financial position and results for the purpose of assessing impairment.

Subsequent to the financial year, the Company has partially disposed off its 36,881,200 ordinary shares of RM0.10 each held in Ariantec Global Berhad ("AGB") for a total cash consideration of RM7,782,190.

19. OTHER INVESTMENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January				
- quoted shares, at cost	**–**	9,758,363	**–**	8,699,198
- unquoted shares, at cost	**144,897**	144,897	**144,897**	144,897
- less: impairment loss	**(144,897)**	(799,859)	**(144,897)**	(144,897)
	–	9,103,401	**–**	8,699,198
- effect of adopting FRS 139	**–**	(9,103,401)	**–**	(8,699,198)
	–	–	**–**	–
Golf club membership	**94,000**	94,000	**–**	–
At 31 December	**94,000**	94,000	**–**	–

20. DEFERRED TAX

	Group 2011 RM	Group 2010 RM
At 1 January	**8,490,526**	2,854,937
Effect of adopting FRS 139	**–**	5,440,000
At 1 January, restated	**8,490,526**	8,294,937
Recognised in income statement (Note 9)	**125,587**	197,000
Foreign currency translation differences	**(6,946)**	(1,411)
At 31 December - after appropriate set off	**8,609,167**	8,490,526

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2011	**54,775**	**54,775**
Recognised in income statement	**2,000**	**2,000**
Foreign currency translation differences	**(519)**	**(519)**
At 31 December 2011	**56,256**	**56,256**
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

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2011	**1,366,000**	**6,416,000**	**763,301**	**8,545,301**
Effect of adopting FRS 139 recognised directly in equity	**–**	**–**	**–**	**–**
As restated on 1 January 2011	**1,366,000**	**6,416,000**	**763,301**	**8,545,301**
Recognised in income statement	**128,000**	**(249,000)**	**248,587**	**127,587**
Foreign currency translation differences	**–**	**–**	**(7,465)**	**(7,465)**
At 31 December 2011	**1,494,000**	**6,167,000**	**1,004,423**	**8,665,423**

20. DEFERRED TAX *(cont'd)*

Deferred tax assets of the Group: *(cont'd)*

	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
Disposal of subsidiary (Note 16(c)(ii))	–	–	–	–
Foreign currency translation differences	–	–	(2,045)	(2,045)
At 31 December 2010	1,366,000	6,416,000	763,301	8,545,301

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

	Group 2011 RM	Group 2010 RM
Unused tax losses	**1,047,612**	897,612
Unabsorbed capital allowances	**6,844**	6,344
	1,054,456	903,956

At the reporting date, the Group has tax losses of approximately RM1,054,456 (2010:RM897,612) 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.

21. INVENTORIES

	Group 2011 RM	Group 2010 RM
At cost		
Building automation equipment and parts	**1,155,569**	2,384,257
	1,155,569	2,384,257

22. TRADE AND OTHER RECEIVABLES

Trade receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Trade receivables	**47,946,244**	39,097,808	**–**	–
Progress billings receivable	**48,441,963**	57,302,652	**–**	–
Due from customers on contracts (Note 23)	**6,095,584**	8,345,592	**–**	–
Advances to sub-contractors	**–**	–	**–**	–
Retention sums on contracts (Note 23)	**18,085,942**	18,567,943	**–**	–
	120,569,733	123,313,995	**–**	–
Allowance forimpairment	**(33,302,897)**	(32,305,949)	**–**	–
Trade receivables, net	**87,266,836**	91,008,046	**–**	–
Other receivables				
Due from subsidiaries	**–**	–	**11,694,905**	12,283,505
Deposits and prepayment	**3,244,336**	1,181,397	**–**	–
Sundry receivables	**2,347,859**	4,570,400	**22,259**	68,560
Allowance for impairment	**(775,664)**	(1,424,707)	**–**	–
Other receivables, net	**4,816,531**	4,327,090	**11,717,164**	12,352,065
Total trade and other receivables	**92,083,367**	95,335,136	**11,717,164**	12,352,065
Add: Short term deposits (Note 24)	**7,769,106**	8,179,679	**–**	–
Cash and bank balances (Note 25)	**9,145,757**	5,084,730	**167,063**	957,296
Total loans and receivables	**108,998,230**	108,599,545	**11,884,227**	13,309,361

(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.

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 (2010: RM44,450,738), 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 former related party is also the retention sums on contracts of RM10,530,270 (2010: RM10,530,270) which is due upon the expiry of warranty in the previous 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 (2010: 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 (2010: RM519,651) which is due upon the expiry of warranty period in the last financial year.

22. TRADE AND OTHER RECEIVABLES *(cont'd)*

(A) Trade receivables *(cont'd)*

The total exposure to the Group as a result of (i) and (ii) above amounted to RM46,565,420 (2010: RM46,565,420). 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 30(A) for the related amounts due to sub-contractors and suppliers of the above mentioned projects).

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	
	2011	**2010**
	RM	**RM**
Neither past due nor impaired	**38,912,156**	37,443,201
1 to 30 days past due but not impaired	**5,087,220**	8,565,586
31 to 60 days past due but not impaired	**2,916,993**	3,493,546
61 to 90 days past due but not impaired	**2,542,061**	2,174,903
91 to 120 days past due but not impaired	**4,171,257**	2,228,413
More than 121 days past due but not impaired	**5,959,983**	7,622,715
	20,677,514	24,085,163
Impaired	**60,980,063**	61,785,631
	120,569,733	123,313,995

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting RM20,677,514 (2010: RM24,085,163) 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.

22. TRADE AND OTHER RECEIVABLES *(cont'd)*

(A) Trade receivables *(cont'd)*

Ageing analysis of trade receivables *(cont'd)*

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	
	2011	2010	2011	2010	2011	2010
	RM	RM	RM	RM	RM	RM
Trade receivables						
- nominal amounts	**4,718,667**	5,585,353	**56,261,396**	56,200,278	**60,980,063**	61,785,631
Less: Allowance for impairment	**(2,541,309)**	(2,381,432)	**(30,761,587)**	(29,924,517)	**(33,302,896)**	(32,305,949)
	2,177,358	3,203,921	**25,499,809**	26,275,761	**27,677,167**	29,479,682

Movement in allowance accounts:

	Group	
	2011	2010
	RM	RM
At 1 January	**32,305,949**	9,039,956
Effect of adopting FRS 139	**–**	21,760,262
Charge for the year (Note 8(a))	**2,192,035**	2,435,226
Recovery of allowance for impairment of trade receivables (Note 8(a))	**(177,939)**	(559,391)
Write back of impairment of trade receivables (Note 8(a))	**(1,116,597)**	(258,208)
Exchange differences	**99,449**	(111,896)
At 31 December	**33,302,897**	32,305,949

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 RM106,979 (2010: RM580,707) and an amount of RM1,320,662 (2010: RM2,394,823) due from Laian County Water Utility Board for the termination of BOT Water Concession Agreement as disclosed in Note 15(a)(i).

23. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group	
	2011	**2010**
	RM	**RM**
Contract costs incurred to date	**270,755,045**	272,851,615
Add: Attributable profits	**49,573,241**	51,327,644
	320,328,286	324,179,259
Less: Progress billings received and receivable	**(318,457,205)**	(322,113,209)
	1,871,081	2,066,050
Due from customers on contracts (Note 22(A))	**6,095,584**	8,345,592
Due to customers on contracts (Note 30(A))	**(4,224,503)**	(6,279,542)
	1,871,081	2,066,050
Retention sums on contracts, included within trade receivables (Note 22(A))	**18,085,942**	18,567,943
Advances received on contracts, included within trade payables (Note 30(A))	**70,457**	1,431,753
Contract costs recognised as an expense (Note 5)	**26,326,759**	43,513,274

Included in contract costs recognised as an expense is provision for defect liabilities of RM849,026 (2010: RM1,146,692) during the year (Note 8(a)).

24. SHORT TERM DEPOSITS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Fixed deposits with licensed banks	**7,769,106**	8,179,679	**–**	–

Fixed deposits with licensed banks of the Group amounting to RM7,079,512 (2010: RM7,398,499) and of the Company amounting to RM Nil (2010: RM Nil) are pledged as security for banking facilities granted to the Group and to the Company respectively as disclosed in Note 29 and Note 33 to the financial statements.

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

	Interest rate		Maturity	
	2011	**2010**	**2011**	**2010**
	%	**%**	**day**	**day**
Group	**2.52**	2.25	**87**	92
Company	**–**	–	**–**	–

25. 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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**9,145,757**	5,084,730	**167,063**	957,296
Fixed deposits with licensed banks*	**689,594**	781,180	**–**	–
Bank overdrafts (Note 29)	**(2,431,229)**	(2,333,857)	**–**	–
Total cash and cash equivalents	**7,404,122**	3,532,053	**167,063**	957,296

* Excluding amounts pledged as security as disclosed in Note 24.

26. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2011	**2010**	**2011**	**2010**
			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)**	**Total share capital**
		RM	**RM**
Issued and fully paid:			
At 1 January 2011/31 December 2011	**634,906,903**	**63,490,690**	**63,490,690**

There was no issuance of new shares for the year ended 31 December 2011.

27. OTHER RESERVES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
At 1 January	**1,099,220**	1,602,959	**483,288**	-
Effects of adopting FRS 139				
Available-for-sale reserve	**–**	1,222,578	**–**	966,577
As restated on 1 January	**1,099,220**	2,825,537	**483,288**	966,577
Other comprehensive income for the year, net of tax:				
Available-for-sale reserve	**(838,802)**	(208,678)	**(483,288)**	(483,289)
Foreign currency translation	**(98)**	(1,517,639)	**–**	–
At 31 December	**260,320**	1,099,220	**–**	483,288

(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.

28. RETAINED EARNINGS/(ACCUMULATED LOSSES)

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 2011, the Company is in accumulated losses position.

29. LOANS AND BORROWINGS

	Group	
	2011 RM	2010 RM
Current		
Obligations under finance leases (secured)	**94,304**	89,478
Hire purchase payables (secured)	**11,899**	11,899
Bank overdrafts (secured) (Note 25)	**2,431,229**	2,333,857
Bankers' acceptances (secured)	**3,194,022**	5,101,095
Revolving credits	**–**	3,339,112
	5,731,454	10,875,441
Non current		
Obligations under finance leases	**143,173**	250,845
Hire purchase payables	**30,648**	42,547
	173,821	293,392
Total loans and borrowings	**5,905,275**	11,168,833

The remaining maturities of the loans and borrowings as at 31 December 2011 are as below:

	Group	
	2011 RM	2010 RM
On demand or within one year	**5,731,454**	10,875,441
More than 1 year and less than 2 years	**85,625**	100,825
More than 2 years and less than 5 years	**88,196**	192,567
5 years or more	**–**	–
	5,905,275	11,168,833

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 24. The interest rates on these borrowings range between 2011: 4.13% to 8.6% (2010: 3.14% to 7.55%) 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% (2010: 11% to 17%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

30. TRADE AND OTHER PAYABLES

(A) Trade payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Trade payables	**68,422,518**	63,823,725	**–**	–
Advances received on contracts (Note 23)	**70,457**	1,431,753	**–**	–
Due to customers on contracts (Note 23)	**4,224,503**	6,279,542	**–**	–
	72,717,478	71,535,020	**–**	–

(B) Other payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Due to subsidiary	**–**	–	**133,822**	133,822
Other creditors and accruals	**10,106,804**	6,131,079	**3,810,932**	1,372,662
Due to directors' related companies*	**2,033,331**	2,434,431	**849,400**	1,149,000
Deferred revenue	**-**	1,341,078	**–**	–
Due to directors	**1,186,328**	1,111,743	**–**	–
Provision for defect liabilities	**6,500,460**	5,680,703	**–**	–
Financial guarantees	**–**	–	**–**	136,108
	19,826,923	16,699,034	**4,794,154**	2,791,592
Total Trade and other payables	**92,544,401**	88,234,054	**4,794,154**	2,791,592
Add: Loans and borrowings (Note 29)	**5,905,275**	11,168,833	**–**	–
Total financial liabilities carried at amortised cost	**98,449,676**	99,402,887	**4,794,154**	2,791,592

* 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 RM 22,259,755 (2010:RM 23,474,480) which relates to work completed for certain federal public sector projects as mentioned in Note 22(A)(i) and Note 22(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 16(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 RM50,500,000 (2010: RM64,900,000) (Note 33(c)) for banking facilities granted to a subsidiary.

31. 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:

	2011		2010	
	Transactions RM	**Balance Outstanding RM**	**Transactions RM**	**Balance Outstanding RM**
Group				
Rental received from Metronic Corporation Sdn. Bhd. +	**–**	**–**	12,000	–
Purchases from ITGWorldwide (M) Sdn. Bhd. ##	**–**	**950,701**	–	950,701
Rental received from ITG Worldwide (M) Sdn. Bhd. ##	**–**	**–**	12,000	–
Contract and maintenance services receivable from				
- MH Projects Sdn. Bhd. ("MHP") #	**–**	**44,450,738**	–	44,450,738
- ER Mekatron Manufacturing Sdn. Bhd. ###	**–**	**11,000**	–	11,000
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	**–**	**54,204**	–	291,645
Sale of equipment to Edmund Chuah Choong Eng Huat***	**–**	**58,786**	–	58,786
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd. @	**–**	**–**	448,016	–
Company				
Subsidiaries:				
Management fee received	**–**	**–**	1,200,000	–
Office rental paid	**12,000**	**–**	12,000	–

+ Edmund Chuah Choong Eng Huat was a director of the Company, Dato' Abd. Gani bin Yusof has interest until 16 July 2009.

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.

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.

31. 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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits	**1,249,528**	1,060,106	**171,432**	629,420
Post-employment benefits:				
Defined contribution plan	**620**	74,206	**–**	73,542
Directors' fees	**136,500**	102,000	**136,500**	102,000
	1,386,648	1,236,312	**307,932**	804,962
Included in the total key management personnel are:				
Directors' remuneration (Note 8(b))	**1,386,648**	1,236,312	**307,932**	804,962

32. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2011	**2010**	**2011**	**2010**
	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	**–**	–

(b) Hire purchase commitments

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

	Group			
	2011		**2010**	
	Minimum payments	**Present value of liabilities**	**Minimum payments**	**Present value of liabilities**
	RM	**RM**	**RM**	**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 year but not later than 5 years	**24,001**	**18,749**	39,217	30,648
Later than 5 years	**–**	**–**	–	–
	54,433	**42,547**	69,649	54,446
Less: Future finance charges	**(11,886)**	**–**	(15,203)	–
	42,547	**42,547**	54,446	54,446

32. COMMITMENTS *(cont'd)*

(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			
	2011		2010	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Not later than 1 year	**103,927**	**94,304**	104,545	89,478
Later than 1 year but not later than 2 years	**80,913**	**73,726**	104,545	88,926
Later than 2 year but not later than 5 years	**96,427**	**69,447**	192,792	161,919
Later than 5 years	**–**	**–**	–	–
	281,267	**237,477**	401,882	340,323
Less: Future finance charges	**(43,790)**	**–**	(61,559)	–
	237,477	**237,477**	340,323	340,323

33. CONTINGENT LIABILITIES

	Group	
	2011 RM	2010 RM
(a) Secured:		
Performance and financial guarantees issued by the banks to third parties	**7,106,572**	7,106,572

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 24 to the financial statements.

	Group	
	2011 RM	2010 RM
(b) Unsecured:		
Litigation, claims and legal suits	**–**	1,751,617

i) 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.

The case was resolved and suit was withdrawn on 20 February 2012 with no order as to cost.

33. CONTINGENT LIABILITIES *(cont'd)*

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

The High Court, on 15 September 2011 has enterred judgement against MGB for the sum of RM1,751,617 plus interest at the rate of 8% from the date of the filing (23 November 2006) until the date the realisation of the claim and cost. The Court had also dismissed MGB's counter claim for RM3,339,000. MGB subsequently filed for stay of execution and an appeal against both decision to the Court of Appeal. The application for stay of execution was however dismissed on 20 October 2011.

The Company has filed for Erinford Injunction against dimissal of its application for Stay of Execution to withhold execution and has made application to make payment into Court the Judgement sum.

The Court had dismissed the Company's appeal on 18 April 2012. Judgement sum payable to Cworks for the claim of RM1,751,617 plus interest at the rate of 8% from the date of the filing (23 November 2006) until the date of the realisation of the claim and cost is recorded in Company's book during the financial year.

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

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

The trial was held on 4, 5 and 6 January 2012 and the case was held in abeyance till new judge is appointed as the learned judge has been elevated to Court of Appeal.

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

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

MESB's defence dated 7 September 2011 was filed and served on 9 September 2011 in the High Court of Shah Alam and Digistar has served its Reply to Defence on MESB's solicitors on 25 October 2011. The case was fixed for hearing on 11 and 12 July 2012.

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

	Company	
	2011	**2010**
	RM	**RM**
(c) Unsecured:		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**50,500,000**	64,900,000

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.

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 RM27,701 higher/lower (2010: higher/lower by RM37,175), 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 RM38,846 lower/higher (2010: lower/higher by RM40,898) 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(cont'd)*

(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.

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.

	2011		
	On demand or within one year	**One to five years**	**Total**
Group			
Financial liabilities:			
Trade and other payables	**92,544,401**	**–**	**92,544,401**
Loans and borrowings	**5,731,454**	**173,821**	**5,905,275**
Total undiscounted financial	**98,275,855**	**173,821**	**98,449,676**
Company			
Trade and other payables (excluding financial guarantees)*	**4,794,154**	**–**	**4,794,154**
Loans and borrowings	**–**	**–**	**–**
Total financial liabilities	**4,794,154**	**–**	**4,794,154**

* 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 RM337,707 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.

34. 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 2011									
Trade and other receivables	**232,685**	**–**	**–**	**–**	**–**	**1,330,730**	**3,726,983**	**225,635**	**5,516,033**
Cash and bank balance	**–**	**–**	**–**	**–**	**–**	**415,969**	**162,192**	**577,635**	**1,155,796**
Trade and other payables	**1,270,931**	**26,085**	**134,595**	**25,115**	**170,614**	**3,637,325**	**3,289,641**	**1,157,838**	**9,712,143**
Borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
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

Sensitivity analysis for foreign currency risk

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(cont'd)*

(c) Foreign currency risk *(cont'd)*

	Group 2011 RM Effect on loss net of tax/equity, net of tax Increase/(decrease)
EUR/RM - strengthened 10%	(2,067)
- weakened 10%	2,607
GBP/RM - strengthened 10%	5,663
- weakened 10%	(5,663)
SAR/RM - strengthened 10%	328
- weakened 10%	(328)
SGD/RM - strengthened 10%	(15,706)
- weakened 10%	15,706
USD/RM - strengthened 10%	(6,324)
- weakened 10%	6,324

(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.

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 (2010: RM35,515,499) and retention sums on contracts of RM11,049,921 (2010: RM11,049,921) as disclosed in Note 22(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.

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 RM193,315 (2010: 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.

35. 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 2011:				
Other investments	**94,000**	**250,000**	**–**	**–**

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) Investment

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.

36. 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 2011 and 31 December 2010.

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	
	2011	**2010**
	RM	**RM**
Loans and borrowings (Note 30)	**5,905,275**	11,168,833
Equity attributable to the owners of the parent	**47,206,483**	53,106,872
Capital and borrowings	**53,111,758**	64,275,705
Gearing ratio	**0.11**	0.17

37. 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.

37. 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 2011					
Revenue					
Sales to external customers		45,186,609	11,447,003	–	56,633,612
Inter-segment sales	(A)	98,933	925,752	(1,024,685)	–
Total Revenue		45,285,542	12,372,755	(1,024,685)	56,633,612
Results					
Segment result		(2,723,432)	198,384	(4,779)	(2,529,827)
Finance cost		(382,252)	(34,332)	–	(416,584)
Loss before tax					(2,946,411)
Income tax expense					(1,217,474)
Net loss for the year					(4,163,885)
Assets					
Segment assets	(B)	185,362,839	10,823,222	(46,109,832)	150,076,229
Liabilities					
Segment liabilities	(C)	106,705,767	15,290,639	(22,402,120)	99,594,286
Other segment information					
Capital expenditure		144,665	–	–	148,848
Depreciation of property plant and equipment		455,027	130,854	–	618,386
Depreciation of investment properties		5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments		583,291	–	–	583,291
Recovery of provision for doubtful debts		117,939	–	–	177,939
Other significant non-cash expenses:					
Impairment loss on trade receivables		2,010,061	181,974	–	2,192,035
Provision for defect liabilities		849,026	–	–	849,026
Provision for compensation loss		2,487,237	–	–	2,487,237
Write-down of inventories		449,863	1,313	–	451,176

37. SEGMENTAL REPORTING *(cont'd)*

Geographical segments ***(cont'd)***

	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/(loss) 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)
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	–	–	75,226

37. SEGMENTAL REPORTING *(cont'd)*

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.

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 2011					
Revenue					
Sales to external customers		46,633,168	10,000,444	–	56,633,612
Inter-segment sales	(A)	–	26,033	(26,033)	–
Total Revenue		46,633,168	10,026,477	(26,033)	56,633,612
Results					
Segment result	(D)	(4,646,454)	2,121,406	(4,779)	(2,529,827)
Finance cost		(399,747)	(16,837)	–	(416,584)
Loss before tax					(2,946,411)
Income tax expense					(1,217,474)
Net loss for the year					(4,163,885)
Assets					
Segment assets	(B)	148,395,923	47,790,138	(46,109,832)	150,076,229
Investment in associates					–
					150,076,229
Liabilities					
Segment liabilities	(C)	80,887,216	41,109,190	(22,402,120)	99,594,286
Other segment information					
Capital expenditure		46,928	97,737	–	144,665
Depreciation of property plant and equipment		377,719	208,162	–	585,881
Depreciation of investment properties		5,267	–	–	5,267
Amortisation of intangible assets and prepaid lease payments		139,024	444,267	–	583,291
Recovery of provision for doubtful debts		117,939	–	–	117,939
Other significant non-cash expenses:					
Impairment loss on trade receivables		2,190,077	1,958	–	2,192,035
Provision for defect liabilities		849,026	–	–	849,026
Provision for compensation loss		2,487,237	–	–	2,487,237
Write-down of inventories		451,176	–	–	451,176

37. SEGMENTAL REPORTING *(cont'd)*

Business segments *(cont'd)*

	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

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.

38. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSS INTO REALISED AND UNREALIZED

The breakdown of the accumulated loss of the Group and of the Company as at 31 December 2011 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 2011 RM	Company 2011 RM
Total accumulated losses		
- Realised	**(9,884,688)**	**(10,730,750)**
- Unrealised	**2,136,098**	**–**
	(7,748,590)	**(10,730,750)**
Less: Consolidation adjustments	**(8,795,937)**	**–**
Accumulated loss as per financial statements	**(16,544,527)**	**(10,730,750)**

LIST OF PROPERTIES
AS AT 31 DECEMBER 2011

Location	Decription / 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 31.12.2011 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	2,677	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	2,279	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 2012 2095	88	20 February 1993
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	135	21 October 1993
Metronic Microsystem (Beijing) Company Limited PRC (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 2012

(I) ANALYSIS BY SIZE OF HOLDINGS

Size of Shareholdings	No. Of Shareholders	%	No. of Shares	%
1 – 99	622	10.309	31,495	0.004
100 – 1,000	139	2.303	74,337	0.011
1,001 – 10,000	1,419	23.520	10,368,188	1.633
10,001 – 100,000	3,077	51.002	134,131,877	21.126
100,001 – 31,745,344 (*)	775	12.846	429,467,344	67.642
31,745,345 AND ABOVE (**)	1	0.016	60,833,662	9.581
TOTAL	**6,033**	**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	Malaysia	Foreigner	Malaysia	Foreigner	Malaysia	Foreigner
1	Individual	4,609	43	414,504,456	7,030,451	65.286	1.107
2	Body Corporate						
	a) Bank / Finance Companies	11	0	2,137,403	0	0.337	0.000
	b) Invesment Trusts / foundation / Charities	1	0	100,000	0	0.016	0.000
	c) Industrial And Commercial Companies	19	2	5,059,656	476,000	0.797	0.075
3	Nominees	1,325	23 #	188,651,226	16,947,711 #	29.713	2.669
	TOTAL	**5,965**	**68**	**610,452,741**	**24,454,162**	**96.149**	**3.851**

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	9.581
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG TEK CHE (PB)	18,489,542	2.912
3	RAYMOND CHAN BOON SIEW	15,400,000	2.425
4	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOON NEE SIEW (M&A)	8,900,000	1.401
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	8,800,000	1.386
6	RAYMOND CHAN BOON SIEW	8,000,000	1.260
7	ABD. GANI BIN YUSOF	7,135,662	1.123
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYMOND CHAN BOON SIEW	7,000,000	1.102

(III) 30 LARGEST SHAREHOLDERS *(cont'd)*

No	Name	No. of Shares Held	%
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM YOU MOY	6,000,000	0.945
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM THIAM HUAT	5,800,000	0.913
11	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KWEE ENG	5,150,000	0.811
12	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN	5,000,000	0.787
13	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM CHWEE POH	4,200,000	0.661
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG	4,085,000	0.643
15	TAI CHOON MIN	4,000,000	0.630
16	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KAMARUDDIN @ MAMAT BIN ENDUT	3,850,000	0.606
17	KAMARUZZAMAN BIN SHARIFF	3,714,285	0.585
18	MD WIRA DANI BIN ABDUL DAIM	3,714,285	0.585
19	LIM THIAM HUAT	3,500,000	0.551
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG	3,500,000	0.551
21	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NORZAIFIZY BIN KHALID NORDIN	3,090,000	0.486
22	GENTING PERWIRA SDN BHD	3,064,285	0.482
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHOA BOON TING	3,060,000	0.481
24	KRISHNA BHATT @ ACHONG	3,000,000	0.472
25	LUM KUAN YING	2,700,000	0.425
26	LIM SZE AIK	2,600,400	0.409
27	CHOON NEE SIEW	2,600,000	0.409
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYMOND CHAN BOON SIEW	2,500,000	0.393
29	YEAT SIEW PING	2,500,000	0.393
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIAW SWEE HIN	2,440,300	0.384

Summary

Total no of holders	:	30
Total holdings	:	214,627,421
Total percentage (%)	:	33.804

(IV) SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	%	Indirect Interest	Note	%
Dato' Abd Gani bin Yusof	67,969,324	10.705	1,034	1	#
Datuk Raymond Chan Boon Siew	32,900,000	5.182			

\# Negligible

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

(V) DIRECTORS' SHAREHOLDINGS

The Company

Name of Directors	HOLDINGS	%
Tan Sri Dato' Kamaruzzaman bin Shariff	3,714,285	0.585
Dato' Abd Gani bin Yusof	67,969,324	10.705
Dr Ng Tek Che	20,489,175	3.226
Liew Chiap Hong	500,000	0.078
Datuk Subhi bin Hj Dziyauddin	0	0
Mohd Kamal bin Omar	0	0
Mohd Afrizan bin Husain	0	0
Chow Kee Kan @ Chow Tuck Kwan	0	0
TOTAL	92,672,784	14.594

Subsidiary
Metronic iCares Sdn. Bhd

Name of Director	HOLDINGS	%
Mohd Kamal bin Omar	196,058	7.25

STATEMENT ACCOMPANYING NOTICE OF THE 9TH ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the 9th Annual General Meeting of the Company:

   (i) The Director retiring by rotation pursuant to Article 86 of the Company's Articles of Association and seeking re-election is:

      a. Mr. Liew Chiap Hong (Resolution 1)

   (ii) The Directors retiring by rotation pursuant to Article 76 of the Company's Articles of Association and seeking re-election are:

      a. Mr. Chow Kee Kan @ Chow Tuck Kwan (Resolution 2)
      b. Encik Mohd Afrizan bin Husain (Resolution 3)

   (iii) The Director who is of or over the age of seventy years and seeking re-appointment pursuant to Section 129 (6) of the Companies Act, 1965 is:

      a. Tan Sri Dato' Kamaruzzaman bin Shariff (Resolution 4)

2. Further details of the Directors who are standing for re-election/re-appointment:

   Details of Directors who are standing for re-election/re-appointment are set out on pages 8, 9 and 10 of the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth (9th) 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 Friday, 22 June 2012 at 10.00 am.

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with Reports of the Directors and Auditors thereon. — **Please see Explanatory Note 1**

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

i)	Mr. Liew Chiap Hong	(Article 86)	**Resolution 1**
ii)	Mr. Chow Kee Kan @ Chow Tuck Kwan	(Article 76)	**Resolution 2**
iii)	En Mohd Afrizan bin Husain	(Article 76)	**Resolution 3**

   YBhg Datuk Subhi bin Hj Dziyauddin who retires in accordance with Article 86 of the Company's Articles of Association, has expressed his intention not to seek re-election. Hence, he would retain office until the close of the 9th Annual General Meeting

3. To consider and pass the following Ordinary Resolution in accordance with Section 129 (6) of the Companies Act, 1965: — **Resolution 4**

   "THAT Tan Sri Dato' Kamaruzzaman bin Shariff retiring pursuant to Section 129 (6) of the Companies Act, 1965 be and is hereby re-appointed Director of the Company to hold office until the next Annual General Meeting"

4. To approve the payment of Directors' Fees of RM136,500 in respect of the financial year ended 31 December 2011. — **Resolution 5**

5. To re-appoint Messrs. LLTC as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration — **Resolution 6**

As Special Business

6. To consider and pass the following Ordinary Resolution with or without modification as an Ordinary Resolution:

   ORDINARY RESOLUTION
   Authority to Allot Shares pursuant to Section 132D of the Companies Act,1965 — **Resolution 7**

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares 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 be and 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 in force until the conclusion of the next Annual General Meeting of the Company."

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

By order of the Board

Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)
Companies Secretaries

Kuala Lumpur
30 May 2012

Notes:

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 18 June 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 9th Annual General Meeting.

(ii) 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.

(iii) A proxy may but need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies Act 1965 need not be complied with.

(iv) 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 account.

(v) 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 proxies.

(vi) 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.

(vii) The instrument appointing the proxy must be deposited at the Registered Office of the Company at Unit 621, 6th Floor, Block A, Kelana Centre Point, No. 3 Jalan SS7/19, Kelana Jaya, 49301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.

Explanatory Notes:

1. Audited Financial Statements

This Agenda is meant for discussion only as the provisions of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence this Agenda is not put forward for voting.

2. Authority to allot shares under Section 132D (Resolution 7)

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming Annual General Meeting (AGM), to allot and issue ordinary shares from the unissued capital of the Company pursuant to Section 132D of the Companies Act, 1965.

As of the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 28 June 2011, which will lapse at the conclusion of the forthcoming AGM.

The proposed Ordinary Resolution, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the best interest of the Company.

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

PROXY FORM

METRONIC

Metronic Global Berhad

(632068-V)

CDS account no.

I/We ____ (full name as per NRIC/Company name, in capital letters)

NRIC No./Company No. ______________________________ (new)____________________________(old)

of ____ (full address) being a

member(s) of **METRONIC GLOBAL BERHAD**, hereby appoint ____________________________________

(name of proxy as per NRIC, in capital letters) NRIC/Passport No. ____________________ (new) ______________

____________ (old) of ____ (full address) or

failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Ninth (9th) 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 Friday, 22 June 2012 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:

No	RESOLUTIONS	FOR	AGAINST
1.	To re-elect the retiring Director, Mr. Liew Chiap Hong		
2.	To re-elect the retiring Director, Mr. Chow Kee Kan @ Chow Tuck Kwan		
3.	To re-elect the retiring Director, En Mohd Afrizan bin Husain		
4.	To re-appoint Tan Sri Dato' Kamaruzzaman bin Shariff as a Director pursuant to Section 129 (6) of the Companies Act, 1965		
5.	To approve the payment of Directors' Fees of RM136,500 in respect of the financial year ended 31 December 2011.		
6.	To re-appoint Messrs LLTC as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

....
Signature / Common Seal

....
Date

NO. OF SHARES HELD

Notes :

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 18 June 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the 9th Annual General Meeting.

(ii) 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.

(iii) A proxy may but need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies Act 1965 need not be complied with.

(iv) 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 account.

(v) 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 proxies.

(vi) 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.

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AFFIX STAMP

METRONIC

Metronic Global Berhad
(632068-V)

Unit 621, 6th Floor,
Block A, Kelana Centre Point,
No.3, Jalan SS7/19,
47301 Petaling Jaya,
Selangor Darul Ehsan.

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