

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

Directors' Report and Audited Financial Statements
31 December 2005

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

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METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system and engineering equipment. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Profit for the year	<u>9,249,354</u>	<u>1,729,387</u>

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 were as follows:

	RM
Final dividend of 3% less 28% income tax in respect of the financial year ended 31 December 2004 as reported in the directors' report of that year, paid on 29 July 2005;	612,447
Interim dividend of 3% less 28% income tax in respect of the financial year ended 31 December 2005, declared on 30 August 2005 and paid on 30 September 2005.	612,447

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 3% less 28% income tax on 283,540,000 ordinary shares, amounting to a dividend payable of RM612,447 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

DIRECTORS

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

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

DIRECTORS' BENEFITS

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

DIRECTORS' BENEFITS (CONTD.)

Since the date of the previous financial year, no director has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for as disclosed in Note 24 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	Bought	Sold	As at
	1.1.2005	During the year		31.12.2005
Direct Interest:				
Dato' Abd. Gani bin Yusof	48,419,780	16,262,670	-	64,682,450
Dr Ng Tek Che	18,263,600	13,134,165	(7,000,000)	24,397,765
Liew Chiap Hong	18,263,600	13,134,165	(7,000,000)	24,397,765
Indirect Interest:				
Dato' Abd. Gani bin Yusof	127,593,000	-	(42,531,000)	85,062,000
Dr Ng Tek Che	127,593,000	-	(42,531,000)	85,062,000
Liew Chiap Hong	127,593,000	-	(42,531,000)	85,062,000

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

None of the other directors holding office at 31 December 2005 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and adequate allowance has been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in respect of the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

OTHER STATUTORY INFORMATION (CONTD.)

- (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENTS

- (a) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.
- (b) On 25 July 2005, the Company acquired a total of 7,000 ordinary shares of Indian Rupee ("Rs") 10 each in Metronic Engineering Private Limited, representing 70% of its issued and paid up share capital for a total cash consideration of Rs 70,000 (or approximately RM6,237 at an exchange rate of Rs11.2233:RM1.00).

Metronic Engineering Private Limited increased its ordinary share capital from 10,000 to 100,000 at Rs10 each during the period. The Company further subscribed 63,000 of the ordinary shares at Rs10 each for a cash consideration of Rs 630,000 (or approximately RM53,948), thus maintaining its 70% equity interest in Metronic Engineering Private Limited.

- (c) The Company established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates during the financial year. The Service Licence issued by the Dubai Airport Free Zone Authority to the Company is valid from 4 September 2005 to 3 September 2006.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 14 April 2006, the Company signed a Joint Venture cum Shareholders' Agreement with iCare Health Services Pte Ltd to co-operate and collaborate on the health care services via a joint venture company known as Metronic iCares Sdn Bhd (formerly known as Success Knowledge Sdn Bhd) which was incorporated on 20 March 2006. The Company will hold 51% equity interest in Metronic iCares Sdn Bhd via a subscription of 51 shares of RM1 each for a total cash consideration of RM51.
- (b) On 14 April 2006, MGB wrote to the shareholders of Ariantec Sdn Bhd to confirm its interest to acquire 200,000 ordinary shares of RM1.00 each in Ariantec Sdn Bhd representing 40% of the existing issued and paid-up share capital of Ariantec Sdn Bhd from the current shareholders. The current shareholders have on even date accepted the offer. The principal business activity of Ariantec Sdn Bhd is the provision of turnkey solutions on network infrastructure and security management.

AUDITORS

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

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

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan
26 April 2006

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

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 10 to 52 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan
26 April 2006

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 10 to 52 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 2006

Dr Ng Tek Che

Before me,

**REPORT OF THE AUDITOR TO THE MEMBERS OF
METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 52. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

632068-V

**REPORT OF THE AUDITOR TO THE MEMBERS OF
METRONIC GLOBAL BERHAD (CONTD.)
(Incorporated in Malaysia)**

We have considered the financial statements and the auditors' report thereon of a subsidiary of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/07 (J)
Partner

Kuala Lumpur, Malaysia
26 April 2006

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

		Group		Company	
	Note	2005	2004	2005	2004
		RM	RM	RM	RM
Revenue	3	84,473,902	115,205,846	3,000,000	900,000
Cost of sales	4	(60,928,651)	(91,299,887)	-	-
Gross profit		23,545,251	23,905,959	3,000,000	900,000
Other operating income		494,339	3,026,795	66,482	69,895
Administration expenses		(1,971,649)	(3,097,972)	(291,138)	(220,819)
Other operating expenses		(9,271,664)	(9,033,111)	(195,393)	-
Profit from operations		12,796,277	14,801,671	2,579,951	749,076
Interest expense		(15,077)	(246,128)	-	-
Profit before taxation		12,781,200	14,555,543	2,579,951	749,076
Taxation	6	(3,557,640)	(3,858,133)	(850,564)	(261,700)
Profit after taxation		9,223,560	10,697,410	1,729,387	487,376
Minority interest		25,794	-	-	-
Net profit for the year		9,249,354	10,697,410	1,729,387	487,376
Earnings per share (sen):					
Basic	7	3.26	5.07		
Diluted	7	3.26	5.07		
Net dividends per ordinary share (sen):					
Interim dividend	23	0.22	0.22	0.22	0.22
Final dividend	23	0.22	0.22	0.22	0.22

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

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005	2004	2005	2004
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	8	12,848,633	9,148,154	-	-
Investment in subsidiaries	9	-	-	26,281,942	21,470,382
Other investments	10	414,149	219,384	-	-
Development costs	11	458,179	-	-	-
Deferred tax assets	17	1,341,000	1,140,000	-	-
		<u>15,061,961</u>	<u>10,507,538</u>	<u>26,281,942</u>	<u>21,470,382</u>
CURRENT ASSETS					
Inventories	12	5,386,059	1,527,301	-	-
Trade receivables	13	68,274,772	71,949,461	-	-
Other receivables	15	1,656,177	1,367,280	5,606,882	8,570,983
Short term deposits	16	6,112,856	10,295,613	-	-
Cash and bank balances		5,243,920	7,317,294	3,282,366	4,659,523
		<u>86,673,784</u>	<u>92,456,949</u>	<u>8,889,248</u>	<u>13,230,506</u>
CURRENT LIABILITIES					
Trade payables	18	39,835,089	50,780,806	-	-
Other payables	19	4,658,728	4,556,148	32,810	62,151
Bank borrowings	20	3,108,818	513,000	-	-
Provision for taxation		1,181,000	2,265,850	-	4,850
		<u>48,783,635</u>	<u>58,115,804</u>	<u>32,810</u>	<u>67,001</u>
NET CURRENT ASSETS		<u>37,890,149</u>	<u>34,341,145</u>	<u>8,856,438</u>	<u>13,163,505</u>
		<u>52,952,110</u>	<u>44,848,683</u>	<u>35,138,380</u>	<u>34,633,887</u>

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2005 (CONTD.)

	Note	Group	2004	Company	2004
		2005	2004	2005	2004
		RM	RM	RM	RM
FINANCED BY:					
Share capital	21	28,354,000	28,354,000	28,354,000	28,354,000
Share premium		6,406,222	6,406,222	6,406,222	6,406,222
Exchange reserve		83,729	-	-	-
Retained profit/ (accumulated losses)		18,108,159	10,083,699	378,158	(126,335)
		<u>52,952,110</u>	<u>44,843,921</u>	<u>35,138,380</u>	<u>34,633,887</u>
Hire purchase creditors	22	-	4,762	-	-
		<u>52,952,110</u>	<u>44,848,683</u>	<u>35,138,380</u>	<u>34,633,887</u>

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

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Share capital RM	Share premium RM	Exchange reserve RM	Retained profit/ (accumulated loss) RM	Total RM
Group						
At 1 January 2004		2	-	-	(1,264)	(1,262)
Issue of shares:						
- Acquisition of subsidiaries		21,253,998	-	-	-	21,253,998
- Pursuant to initial public offering		7,100,000	7,810,000	-	-	14,910,000
Listing expenses		-	(1,403,778)	-	-	(1,403,778)
Net profit for the period		-	-	-	10,697,410	10,697,410
Dividends	23	-	-	-	(612,447)	(612,447)
At 31 December 2004		<u>28,354,000</u>	<u>6,406,222</u>	<u>-</u>	<u>10,083,699</u>	<u>44,843,921</u>
At 1 January 2005		28,354,000	6,406,222	-	10,083,699	44,843,921
Currency translation differences		-	-	83,729	-	83,729
Net profit for the year		-	-	-	9,249,354	9,249,354
Dividends	23	-	-	-	(1,224,894)	(1,224,894)
At 31 December 2005		<u>28,354,000</u>	<u>6,406,222</u>	<u>83,729</u>	<u>18,108,159</u>	<u>52,952,110</u>

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	Note	Share capital RM	Share premium RM	Exchange reserve RM	Retained profit/ (accumulated loss) RM	Total RM
Company						
At 1 January 2004		2	-	-	(1,264)	(1,262)
Issue of shares:						
- Acquisition of subsidiaries		21,253,998	-	-	-	21,253,998
- Pursuant to initial public offering		7,100,000	7,810,000	-	-	14,910,000
Listing expenses		-	(1,403,778)	-	-	(1,403,778)
Net profit for the year		-	-	-	487,376	487,376
Dividends	23	-	-	-	(612,447)	(612,447)
At 31 December 2004		<u>28,354,000</u>	<u>6,406,222</u>	<u>-</u>	<u>(126,335)</u>	<u>34,633,887</u>
At 1 January 2005		28,354,000	6,406,222	-	(126,335)	34,633,887
Net profit for the year		-	-	-	1,729,387	1,729,387
Dividends	23	-	-	-	(1,224,894)	(1,224,894)
At 31 December 2005		<u>28,354,000</u>	<u>6,406,222</u>	<u>-</u>	<u>378,158</u>	<u>35,138,380</u>

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

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	12,781,200	14,555,543	2,579,951	749,076
Adjustments for:				
Gain on disposal of property, plant and equipment	(31,338)	(5,671)	-	-
Loss in foreign currency translation	83,729	-	-	-
Gain on disposal of quoted securities	(20,605)	-	-	-
Depreciation of property, plant and equipment	1,105,072	725,080	-	-
Allowance for doubtful debts	650,151	2,342,871	-	-
Write back of allowance for doubtful debts	(196,178)	(149,596)	-	-
Impairment loss on quoted securities	737,279	13,737	-	-
Provision for defect liabilities	544,435	1,845,353	-	-
Negative goodwill recognised	-	(2,564,417)	-	-
Interest expense	15,077	246,128	-	-
Interest income	(281,339)	(268,525)	(66,482)	(69,895)
Operating profit before working capital changes	15,387,483	16,740,503	2,513,469	679,181
Changes in working capital:				
Inventories	(3,858,758)	765,797	-	-
Receivables	4,177,734	2,833,763	2,964,101	(8,202,139)
Payables	(12,493,713)	(4,713,443)	(29,341)	(307,957)
Net cash generated from/ (used in) operations	3,212,746	15,626,620	5,448,229	(7,830,915)
Taxes paid	(4,947,450)	(6,579,277)	(855,414)	(256,850)
Interest paid	(15,077)	(246,128)	-	-
Interest received	281,339	268,525	66,482	69,895
Net cash (used in)/generated from operating activities	(1,468,442)	9,069,740	4,659,297	(8,017,870)

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired (Note 9)	25,794	1,723,203	(4,811,560)	(216,384)
Development costs	(458,179)	-	-	-
Purchase of property, plant and equipment	(4,851,423)	(3,645,208)	-	-
Proceeds from disposal of property, plant and equipment	77,210	21,915	-	-
Purchase of golf club membership	-	(94,000)	-	-
Investment in marketable securities	(7,482,044)	-	-	-
Proceeds from disposal of marketable securities	6,570,605	-	-	-
Net cash used in investing activities	<u>(6,118,037)</u>	<u>(1,994,090)</u>	<u>(4,811,560)</u>	<u>(216,384)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issuance of shares	-	13,506,222	-	13,506,222
Discharge of fixed deposits under lien with licensed bank	(137,243)	1,732,837	-	-
Repayment of bankers' acceptances and trust receipts	(4,011,000)	(18,221,294)	-	-
Drawdown of bankers' acceptances and trust receipts	5,094,500	10,105,333	-	-
Repayment of term loan	-	(1,890,114)	-	-
Dividend paid	(1,224,894)	(612,447)	(1,224,894)	(612,447)
Repayment of hire purchase creditors	(40,576)	(58,895)	-	-
Net cash (used in)/generated from financing activities	<u>(319,213)</u>	<u>4,561,642</u>	<u>(1,224,894)</u>	<u>12,893,775</u>

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,905,692)	11,637,292	(1,377,157)	4,659,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	11,637,294	2	4,659,523	2
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u>3,731,602</u>	<u>11,637,294</u>	<u>3,282,366</u>	<u>4,659,523</u>
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	5,243,920	7,317,294	3,282,366	4,659,523
Deposits at call (Note 16)	-	4,320,000	-	-
Bank overdraft (Note 20)	(1,512,318)	-	-	-
	<u>3,731,602</u>	<u>11,637,294</u>	<u>3,282,366</u>	<u>4,659,523</u>

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

METRONIC GLOBAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system and engineering equipment.

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

The financial statements are expressed in Ringgit Malaysia.

The number of employees in the Group and in the Company at the end of the financial year were 177 and NIL (2004: 214) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

(b) Basis of Consolidation

(i) Subsidiaries

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

(i) Subsidiaries (Contd.)

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

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Goodwill (Contd.)

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

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

(d) Property, Plant and Equipment and Depreciation

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

Freehold land is not depreciated.

Leasehold land and buildings are depreciated over the period of the respective leases which range from 50 years to 99 years.

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

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

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

(e) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) 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 reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

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

(g) Impairment of Assets

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

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

(h) Investment in Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(i) Research and Development**

Research expenditure is recognised as an expense when incurred. Costs incurred on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and only if the cost can be measured reliably. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on the straight line basis over the period of their expected benefit, not exceeding a period of 5 years.

(j) Income Tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Foreign Currencies

(i) Foreign Currency Transactions

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

Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

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

	2005	2004
	RM	RM
United States Dollar	3.780	3.800
Great Britain Pound	6.517	7.308
Singapore Dollar	2.270	2.322
Euro	4.483	5.172
China Renminbi	0.468	-
India Rupee	0.084	-

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Cash and Cash Equivalents

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

(m) Leases

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

(i) Finance Leases

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

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

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

(ii) Operating Leases

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

(n) Provisions for Defect Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Provisions for Defect Liabilities (Contd.)

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

(o) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Revenue Recognition

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

(i) Contract revenue

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

(ii) Maintenance services

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

(iii) Sale of goods

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

(iv) Dividend income

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

(v) Interest income

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

(q) Financial Instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Financial Instruments (Contd.)

(i) Other Non-Current Investments

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

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

(ii) Trade and Other Receivables

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

(iii) Trade and Other Payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

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

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

(v) Equity Instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(q) Financial Instruments (Contd.)****(vi) Derivative Financial Instruments**

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

Forward foreign exchange contracts:

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

3. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Contract work	79,736,214	111,181,702	-	-
Maintenance services	3,998,979	3,347,818	-	-
Sale of equipment	738,709	676,326	-	-
Dividend income	-	-	3,000,000	900,000
	<u>84,473,902</u>	<u>115,205,846</u>	<u>3,000,000</u>	<u>900,000</u>

4. COST OF SALES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Contract costs (Note 14)	59,296,149	90,263,432	-	-
Maintenance services	1,528,776	892,874	-	-
Cost of equipment sold	103,726	143,581	-	-
	<u>60,928,651</u>	<u>91,299,887</u>	<u>-</u>	<u>-</u>

5. PROFIT BEFORE TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
(a) After charging/(crediting):				
Staff costs (Note c)	7,814,922	7,029,211	-	-
Auditors' remuneration	88,400	60,000	32,000	26,000
Depreciation of property, plant and equipment	1,105,072	725,080	-	-
Directors' emoluments (Note b)	839,281	830,024	48,000	28,000
Office rental	70,634	28,975	12,000	12,000
Interest expenses				
- hire purchase	5,325	7,857	-	-
- term loan	-	57,321	-	-
- bank overdraft	5,306	1,484	-	-
- banker acceptances/ trust receipts	4,446	179,466	-	-
Foreign exchange (gains)/losses				
- realised	(52,653)	100,099	-	-
- unrealised	(40,589)	26,500	-	-
Allowance for doubtful debts	650,151	2,342,871	-	-
Impairment loss on quoted securities	737,279	13,737	-	-
Provision for defect liabilities	544,435	1,845,353	-	-
Provision for obsolete inventories	98,910	139,167	-	-
Writedown of inventories	34,683	-	-	-
Interest income				
- short term deposits	(270,839)	(258,025)	(66,482)	(69,895)
- loan stocks	(10,500)	(10,500)	-	-

5. PROFIT BEFORE TAXATION (CONTD.)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
(a) After charging/ (crediting): (Contd.)				
Gain on disposal of property, plant and equipment	(31,338)	(5,671)	-	-
Gain on disposal of quoted securities	(20,605)	-	-	-
Negative goodwill recognised	-	(2,564,417)	-	-
Dividend income from a subsidiary	-	-	(3,000,000)	(900,000)
Write back of allowance for doubtful debts	(196,178)	(149,596)	-	-
Rental income	(129,000)	(118,200)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(b) Directors' emoluments:				
(i) Director of the Company				
Executive:				
Salaries and other emoluments	688,981	638,724	-	-
Fees	36,000	45,000	-	-
Bonuses	25,500	60,000	-	-
Benefit-in-kind	16,800	13,300	-	-
	<u>767,281</u>	<u>757,024</u>	<u>-</u>	<u>-</u>
Non-Executive:				
Fees	<u>48,000</u>	<u>28,000</u>	<u>48,000</u>	<u>28,000</u>
(ii) Director of subsidiaries				
Non-Executive:				
Fees	<u>24,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>
Total	<u>839,281</u>	<u>830,024</u>	<u>48,000</u>	<u>28,000</u>

5. PROFIT BEFORE TAXATION (CONTD.)**(b) Directors' emoluments: (Contd.)**

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

	Number of Directors	
	2005	2004
Executive directors:		
Below RM50,000	1	1
RM150,001 - RM250,000	2	2
RM250,001 - RM350,000	1	1
Non-Executive directors:		
Below RM50,000	<u>3</u>	<u>3</u>

(c) Employee information

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Staff costs (excluding directors' emoluments)				
Salary, wages and bonus	6,118,472	5,887,239	-	-
Termination benefits	508,540	-		
Employees' provident funds	692,762	627,130	-	-
Other staff related expenses	495,148	514,842	-	-
	<u>7,814,922</u>	<u>7,029,211</u>	<u>-</u>	<u>-</u>

6. TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Malaysian taxation based on the results for the year:				
- Current	4,057,075	4,407,700	850,564	261,700
Over provision in prior years	(298,435)	(379,567)	-	-
Deferred tax (Note 17)				
- over provided in prior years	-	187,000	-	-
- relating to origination and reversal of temporary differences	(201,000)	(357,000)	-	-
	<u>3,557,640</u>	<u>3,858,133</u>	<u>850,564</u>	<u>261,700</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

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

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Profit before taxation	<u>12,781,200</u>	<u>14,555,543</u>	<u>2,579,951</u>	<u>749,076</u>

6. TAXATION (CONTD.)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Taxation at the statutory tax rate of 28%	3,578,736	4,075,552	722,386	209,741
Effect of losses in foreign subsidiaries	(162,228)	-	-	-
Effect of expenses not deductible for tax purposes	626,476	693,185	146,793	51,959
Effect of income not subject to tax	(186,909)	(718,037)	(18,615)	-
Overprovision of deferred tax assets in prior years	-	187,000	-	-
Overprovision of tax expense in prior years	(298,435)	(379,567)	-	-
	<u>3,557,640</u>	<u>3,858,133</u>	<u>850,564</u>	<u>261,700</u>

7. EARNINGS PER SHARE

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

	2005	2004
Net profit for the year (RM)	9,249,354	10,697,410
Weighted average number of shares in issue	<u>283,540,000</u>	<u>210,890,879</u>
Basic/diluted earnings per share (sen)	<u>3.26</u>	<u>5.07</u>

8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Freehold buildings RM	Leasehold buildings RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2005 RM
COST							
At 1 January 2005	1,469,475	4,440,919	782,055	263,740	2,446,920	444,949	9,848,058
Additions	-	-	4,438,920	-	280,936	131,567	4,851,423
Disposals	-	-	-	(148,898)	(14,293)	-	(163,191)
Reclassification	-	179,644	(179,644)	-	(187)	187	-
At 31 December 2005	1,469,475	4,620,563	5,041,331	114,842	2,713,376	576,703	14,536,290
ACCUMULATED DEPRECIATION							
At 1 January 2005	-	62,441	11,029	82,047	529,632	14,755	699,904
Charge for the year	-	104,563	80,516	78,820	817,833	23,340	1,105,072
Disposals	-	-	-	(104,978)	(12,341)	-	(117,319)
Reclassification	-	25,680	(25,680)	-	(121)	121	-
At 31 December 2005	-	192,684	65,865	55,889	1,335,003	38,216	1,687,657
NET BOOK VALUE							
As at 31 December 2005	1,469,475	4,427,879	4,975,466	58,953	1,378,373	538,487	12,848,633
As at 31 December 2004	1,469,475	4,378,478	771,026	181,693	1,917,288	430,194	9,148,154
Depreciation charge for 2004	-	62,441	11,029	82,047	554,808	14,755	725,080

The freehold land, freehold buildings, and leasehold buildings with a total net book value of RM3,970,858 (2004: RM4,070,660) are charged to licensed banks for banking facilities granted to the Group.

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM51,518 (2004: RM94,618).

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
	RM	RM
Unquoted shares, at cost	<u>26,281,942</u>	<u>21,470,382</u>

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Equity Interest held		Principal Activities
		2005 %	2004 %	
Metronic Engineering Sdn. Bhd.	Malaysia	100	100	System integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineered system.
Metronic Integrated System Sdn. Bhd.	Malaysia	100	100	Procurement of contracts in relation to engineering work specialising in the field of intelligent building management system, integrated security management system, and sale of engineering equipment.
Metronic Microsystem (Beijing) Company Limited**	China	100	-	Design, production and sale of engineered systems for the Information and Communication Technology Industry, specialising in intelligent building management system and telecommunication system.
Metronic Engineering Private Limited*	India	70	-	Design, production and sale of engineered systems for the Information and Communication Technology Industry, specialising in intelligent building management system and integrated security management system.

* Audited by affiliate of Ernst & Young

** Audited by a firm of auditors other than Ernst & Young

9. INVESTMENT IN SUBSIDIARIES (CONTD.)

- (a) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of RM4,751,375 (USD1,250,000).
- (b) The financial results of the subsidiaries acquired and included in the consolidated financial statements for the year ended 31 December 2005 and 2004 were as follows:
- (i) The Company had on 25 July 2005 acquired 70% equity interest in Metronic Engineering Private Limited, a company incorporated in India, for a total cash consideration of RM6,237 (Indian Rupee 70,000). During the period, Metronic Engineering Private Limited increased its ordinary issued and paid up share capital from 10,000 to 100,000 at Rs10 each. The Company further subscribed 63,000 of the ordinary shares at Rs10 each for a cash consideration of RM53,948 (Indian Rupee Rs 630,000), thus maintaining its 70% equity interest in Metronic Engineering Private Limited.
- (ii) The acquisition in 2004 is in relation to the acquisition of the entire equity interest in Metronic Engineering Sdn. Bhd., and its subsidiary, Metronic Integrated System Sdn. Bhd., on 18 March 2004 for a total consideration of RM21,253,998 satisfied by the issuance of 212,539,980 new ordinary shares of RM0.10 each in the Company at par.

	2005	Note (b)(ii)
	RM	2004
		RM
Income statement		
Revenue	-	115,205,846
(Loss)/profit before taxation	(143,920)	12,189,548
(Loss)/profit after taxation	(143,920)	8,293,617

The effect of the above acquisitions on the financial position of the Group as at 31 December 2005 and 2004 were as follows:

	2005	Note (b)(ii)
	RM	2004
		RM
Balance Sheet		
Non-current assets		
Property, plant and equipment	3,182	9,148,154
Other investment	-	219,384
Deferred tax assets	-	1,140,000
	<u>3,182</u>	<u>10,507,538</u>

9. INVESTMENT IN SUBSIDIARIES (CONTD.)

	2005	Note (b)(ii)
	RM	2004
		RM
Current assets		
Inventories	-	1,527,301
Receivables	24,364	73,375,265
Short term deposits	-	10,295,613
Cash and bank balances	32,265	2,657,771
	<u>56,629</u>	<u>87,855,950</u>
Current liabilities		
Payables	(119,981)	(63,909,072)
Provision for taxation	-	(2,261,000)
Bank borrowings	-	(513,000)
	<u>(119,981)</u>	<u>(66,683,072)</u>
Group's share of net (liabilities)/assets	<u>(60,170)</u>	<u>31,680,416</u>

The fair values of the assets acquired and liabilities assumed from the acquisitions of the subsidiaries in years 2005 and 2004 were as follows:

	25.7.2005	Note (b)(ii)
	RM	18.3.2004
		RM
Property, plant and equipment (Note 8)	-	6,244,270
Other investment	-	139,121
Deferred tax assets	-	970,000
Inventories	-	2,293,098
Receivables	-	78,044,934
Fixed deposits	-	7,708,450
Cash and bank balances	8,910	1,723,203
Payables	-	(57,968,592)
Provision for taxation	-	(4,816,994)
Bank borrowings	-	(10,519,075)
Net assets	<u>8,910</u>	<u>23,818,415</u>
Minority interest	(2,673)	-
Negative goodwill on consolidation	-	(2,564,417)
Total purchase consideration	<u>6,237</u>	<u>21,253,998</u>
Purchase consideration satisfied by issuance of shares	-	(21,253,998)
Total purchase consideration to be satisfied by cash	<u>6,237</u>	<u>-</u>

9. INVESTMENT IN SUBSIDIARIES (CONTD.)

	25.7.2005	Note (b)(ii)
	RM	18.3.2004
		RM
Cash flow arising on acquisition:		
Purchase consideration satisfied by cash	(6,237)	-
Issuance of shares subscribed by a minority shareholder	23,121	-
Cash and cash equivalents of subsidiaries acquired	8,910	1,723,203
Net cash inflow to the Group	<u>25,794</u>	<u>1,723,203</u>

10. OTHER INVESTMENTS

	Group	
	2005	2004
	RM	RM
Quoted securities in Malaysia:		
Quoted shares, at cost	979,165	-
Irredeemable convertible unsecured loan stocks, at cost	210,000	257,121
Impairment loss	(869,016)	(131,737)
	<u>320,149</u>	<u>125,384</u>
Golf club membership	94,000	94,000
	<u>414,149</u>	<u>219,384</u>
Market value of quoted securities	<u>320,149</u>	<u>125,384</u>

11. DEVELOPMENT COSTS

	Group	
	2005	2004
	RM	RM
Development costs	<u>458,179</u>	<u>-</u>

The development costs relate to the development of Power Line Communication Controller for Smart Home Automation System, where it is reasonably anticipated that the costs will be recovered through future commercial activity.

The development costs were not amortised during the financial year as the product was in the stage of development.

12. INVENTORIES

	Group	
	2005	2004
	RM	RM
At cost:		
Building automation equipment and parts	1,940,113	1,527,301
Computer servers	3,445,946	-
	<u>5,386,059</u>	<u>1,527,301</u>

13. TRADE RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Trade receivables	3,458,935	4,039,192	-	-
Progress billings receivable	52,253,653	50,361,929	-	-
Due from customers on contracts (Note 14)	5,435,479	8,276,900	-	-
Advances to sub contractors	-	959,188	-	-
Retention sums on contracts (Note 14)	12,588,061	13,649,524	-	-
	<u>73,736,128</u>	<u>77,286,733</u>	<u>-</u>	<u>-</u>
Allowance for doubtful debts	(5,461,356)	(5,337,272)	-	-
	<u>68,274,772</u>	<u>71,949,461</u>	<u>-</u>	<u>-</u>

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

The Group has no significant concentrations of credit risk that may arise from exposures to a single debtor or groups of debtors other than a balance due from a debtor of RM30,622,806 (2004: RM16,197,612) in which certain Directors have interest.

14. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group	
	2005	2004
	RM	RM
Contract costs incurred to date	131,553,144	172,957,598
Add: Attributable profits	20,453,653	30,239,166
	<u>152,006,797</u>	<u>203,196,764</u>
Less: Progress billings received and receivable	(150,088,826)	(199,820,716)
	<u>1,917,971</u>	<u>3,376,048</u>
Due from customers on contracts (Note 13)	5,435,479	8,276,900
Due to customers on contracts (Note 18)	(3,517,508)	(4,900,852)
	<u>1,917,971</u>	<u>3,376,048</u>
Retention sums on contracts, included within trade debtors (Note 13)	<u>12,588,061</u>	<u>13,649,524</u>
Advances received on contracts, included within trade payables (Note 18)	<u>517,001</u>	<u>8,134,197</u>
Contract costs recognised as an expense (Note 4)	<u>59,296,149</u>	<u>90,263,432</u>

Included in contract costs recognised as an expense is provision for defect liabilities of RM544,435 (2004: RM1,845,353) during the year.

15. OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Due from subsidiaries	-	-	5,462,886	8,559,509
Deposits and prepayment	768,243	377,814	142,402	-
Sundry receivables	1,217,823	989,466	1,594	11,474
Allowance for doubtful debts	(329,889)	-	-	-
	<u>1,656,177</u>	<u>1,367,280</u>	<u>5,606,882</u>	<u>8,570,983</u>

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

Included in sundry receivables is mainly the purchase consideration of RM777,044 for the acquisition of 51% equity interest in Infocon (Beijing) Environmental Control Technology Company Limited which is pending finalisation from the relevant authority.

16. SHORT TERM DEPOSITS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Fixed deposits with licensed banks	6,112,856	5,975,613	-	-
Deposit at call with licensed banks	-	4,320,000	-	-
	<u>6,112,856</u>	<u>10,295,613</u>	<u>-</u>	<u>-</u>

All the fixed deposits with licensed banks of RM6,112,856 (2004: RM5,975,613) are pledged as security for banking facilities granted to the Group as disclosed in Note 20.

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

	Interest rate		Maturity	
	2005	2004	2005	2004
	%	%	day	day
Fixed deposits	2.83	2.6	30	30
Deposits at call	-	2.25	-	7

17. DEFERRED TAX

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
At 1 January/18 March	1,140,000	-	-	-
Recognised in income Statement (Note 6)	201,000	170,000	-	-
Acquisition of subsidiaries (Note 9)	-	970,000	-	-
At 31 December	<u>1,341,000</u>	<u>1,140,000</u>	<u>-</u>	<u>-</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	1,551,000	1,520,000	-	-
Deferred tax liabilities	(210,000)	(380,000)	-	-
	<u>1,341,000</u>	<u>1,140,000</u>	<u>-</u>	<u>-</u>

17. DEFERRED TAX (CONTD.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, plant and Equipment RM	Total RM
At 1 January 2005	380,000	380,000
Recognised in income statement	(170,000)	(170,000)
At 31 December 2005	<u>210,000</u>	<u>210,000</u>
At 18 March 2004	-	-
Acquisition of subsidiaries	170,000	170,000
Recognised in income statement	210,000	210,000
At 31 December 2004	<u>380,000</u>	<u>380,000</u>

Deferred Tax Assets of the Group:

	Provision for Defect Liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2005	850,000	450,000	220,000	1,520,000
Recognised in income statement	(48,000)	48,000	31,000	31,000
At 31 December 2005	<u>802,000</u>	<u>498,000</u>	<u>251,000</u>	<u>1,551,000</u>
At 18 March 2004	-	-	-	-
Acquisition of subsidiaries	150,000	180,000	50,000	380,000
Recognised in income statement	700,000	270,000	170,000	1,140,000
At 31 December 2004	<u>850,000</u>	<u>450,000</u>	<u>220,000</u>	<u>1,520,000</u>

18. TRADE PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Trade payables	35,800,580	37,745,757	-	-
Advances received on contracts (Note 14)	517,001	8,134,197	-	-
Due to customer on contracts (Note 14)	3,517,508	4,900,852	-	-
	<u>39,835,089</u>	<u>50,780,806</u>	<u>-</u>	<u>-</u>

19. OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other creditors and accruals	1,789,469	1,456,336	32,810	62,151
Provision for defect liability	2,864,497	3,059,236	-	-
Hire purchase creditors (Note 22)	4,762	40,576	-	-
	<u>4,658,728</u>	<u>4,556,148</u>	<u>32,810</u>	<u>62,151</u>

20. BANK BORROWINGS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Bank Overdraft (secured)	1,512,318	-	-	-
Bankers acceptances (secured)	1,596,500	513,000	-	-
	<u>3,108,818</u>	<u>513,000</u>	<u>-</u>	<u>-</u>

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed banks of RM6,112,856 (2004: RM5,975,613) of the Group. The interest rates on these borrowings range between 3.77% to 7.5% (2004: 2.89% to 3.89%) per annum.

21. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised:				
At 1 January	500,000,000	1,000,000	50,000,000	100,000
Created during the year	-	499,000,000	-	49,900,000
At 31 December	<u>500,000,000</u>	<u>500,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
At 1 January	283,540,000	20	28,354,000	2
Issued during the year:				
- Acquisition of subsidiaries	-	212,539,980	-	21,253,998
- Pursuant to initial public offering	-	71,000,000	-	7,100,000
At 31 December	<u>283,540,000</u>	<u>283,540,000</u>	<u>28,354,000</u>	<u>28,354,000</u>

22. HIRE PURCHASE CREDITORS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Amounts outstanding	4,762	45,338	-	-
Less: Due within twelve months (Note 19)	<u>(4,762)</u>	<u>(40,576)</u>	<u>-</u>	<u>-</u>
Due after twelve months	<u>-</u>	<u>4,762</u>	<u>-</u>	<u>-</u>

22. HIRE PURCHASE CREDITORS (CONTD.)

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

	2005		2004	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Gross amounts payable				
Not later than 1 year	5,378	4,762	45,900	40,576
More than 1 year but not later than 5 years	-	-	5,379	4,762
	<u>5,378</u>	<u>4,762</u>	<u>51,279</u>	<u>45,338</u>
Less: Future finance charges	(616)	-	(5,941)	-
	<u>4,762</u>	<u>4,762</u>	<u>45,338</u>	<u>45,338</u>

23. DIVIDENDS

	Amount	
	2005 RM	2004 RM
Dividend paid:		
Final dividend of 3% less 28% taxation on 283,540,000 ordinary shares in respect of financial year ended 31 December 2004	612,447	-
Interim dividend of 3% less 28% taxation on 283,540,000 ordinary shares in respect of financial year ended 31 December 2005 / 2004	612,447	612,447
	<u>1,224,894</u>	<u>612,447</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 3% less 28% taxation on 283,540,000 ordinary shares, amounting to a dividend payable of RM612,447 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

23. DIVIDENDS (CONTD.)

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

	Net dividends per share	
	2005 Sen	2004 Sen
Paid:		
Final dividend of 3% less 28% taxation in respect of financial year ended 31 December 2004	0.22	-
Interim dividend of 3% less 28% taxation in respect of financial year ended 31 December 2005 / 2004	0.22	0.22
Proposed:		
Final dividend of 3% less 28% taxation in respect of financial year ended 31 December 2005	0.22	-
	<u>0.22</u>	<u>-</u>

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005		2004	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
GROUP				
Accounting fee receivable from Metronic Corporation Sdn. Bhd. ("MCSB") +	60,000	-	50,000	50,000
Rental receivable from MCSB +	12,000	-	10,000	-
Accounting fee receivable from Meditechnique Sdn. Bhd. ("Meditechnique") ^	24,000	-	20,000	20,000
Rental receivable from Meditechnique ^	24,000	-	20,000	-
Purchases from ITG Worldwide (M) Sdn. Bhd., @	1,707,578	-	1,595,388	-
Provision of software maintenance services to Metronic Impact Sdn. Bhd., an associated company of MCSB +	-	-	31,042	5,174
Contract fee payable to Integrated Commerce Sdn. Bhd £	-	4,514	82,450	13,958

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	2005		2004	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
GROUP (CONTD.)				
Contract and maintenance services receivable from MH Projects Sdn. Bhd. ("MHP") #	44,346,895	30,622,806	36,266,280	16,197,612
Purchase of property from MHP #	-	-	2,600,000	-
Provision of maintenance services to Ledtronics Sdn. Bhd. *	615,852	-	28,428	-
	<u>615,852</u>	<u>-</u>	<u>28,428</u>	<u>-</u>

	2005		2004	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
COMPANY				
Dividend received from a subsidiary	3,000,000	-	648,000	-
Office rental payable to a subsidiary	12,000	-	12,000	-
	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>

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

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

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

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

£ a company in which a director of the Company, Dato' Abd. Gani bin Yusof has an interest

* a company in which a director of the Company, Subhi Bin Dziauddin is also director.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

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

25. CAPITAL COMMITMENTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Approved but not contracted for:				
- Research and development expenditure	475,422	1,470,000	-	-
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	793,800	798,000	-	-

26. CONTINGENT LIABILITIES

	Company	
	2005	2004
	RM	RM
Unsecured:		
Corporate guarantee given to a licensed bank for credit facility granted to a subsidiary	19,000,000	19,000,000

27. OTHER SIGNIFICANT EVENTS

- (a) On 15 January 2005, the Company incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.
- (b) On 25 July 2005, the Company acquired a total of 7,000 ordinary shares of Indian Rupee ("Rs") 10 each in Metronic Engineering Private Limited, representing 70% of its issued and paid up share capital for a total cash consideration of Rs 70,000 (or approximately RM6,237 at an exchange rate of Rs11.2233:RM1.00).

27. OTHER SIGNIFICANT EVENTS (CONTD.)

Metronic Engineering Private Limited increased its ordinary share capital from 10,000 to 100,000 at Rs10 each during the period. The Company further subscribed 63,000 of the ordinary shares at Rs10 each for a cash consideration of Rs 630,000 (or approximately RM53,948), thus maintaining its 70% equity interest in Metronic Engineering Private Limited.

- (c) The Company established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates during the financial year. The Service Licence issued by the Dubai Airport Free Zone Authority to the Company is valid from 4 September 2005 to 3 September 2006.

28. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 14 April 2006, the Company signed a Joint Venture cum Shareholders' Agreement with iCare Health Services Pte Ltd to co-operate and collaborate on the health care services via a joint venture company known as Metronic iCares Sdn Bhd (formerly known as Success Knowledge Sdn Bhd) which was incorporated on 20 March 2006. The Company will hold 51% equity interest in Metronic iCares Sdn Bhd via a subscription of 51 shares of RM1 each for a total cash consideration of RM51.
- (b) On 14 April 2006, MGB wrote to the shareholders of Ariantec Sdn Bhd to confirm its interest to acquire 200,000 ordinary shares of RM1.00 each in Ariantec Sdn Bhd representing 40% of the existing issued and paid-up share capital of Ariantec Sdn Bhd from the current shareholders. The current shareholders have on even date accepted the offer. The principal business activity of Ariantec Sdn Bhd is the provision of turnkey solutions on network infrastructure and security management.

29. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objective and Policies**

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group has no substantial long term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes, but have been mostly placed in short term deposits.

29. FINANCIAL INSTRUMENTS (CONTD.)**(b) Interest Rate Risk (Contd.)**

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

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

(c) Liquidity Risk

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

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

(d) Foreign Currency Risk

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

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

	United States Dollar RM	Great Britain Pound RM	Singapore Dollar RM	Total RM
At 31 December 2005:				
Trade payables	<u>1,802,621</u>	<u>166,744</u>	<u>28,006</u>	<u>1,997,371</u>
At 31 December 2004:				
Trade payables	<u>1,695,747</u>	<u>490,492</u>	<u>9,370</u>	<u>2,195,609</u>

29. FINANCIAL INSTRUMENTS (CONTD.)**(e) Credit Risk**

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

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instruments other than a balance due from a debtor of RM30,622,806.

(f) Fair Values

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

	Group		Company	
	Carrying Value RM	Fair Value RM	Carrying Value RM	Fair Value RM
At 31 December 2005:				
Financial Assets				
Amount due from subsidiaries	-	-	5,462,886	#
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004:				
Financial Assets				
Amount due from subsidiaries	-	-	8,559,509	#
	<hr/>	<hr/>	<hr/>	<hr/>

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

29. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

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

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

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

(ii) Investments

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

(iii) Derivative financial instruments

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

30. SEGMENTAL REPORTING

As the Group operates principally within one business segment and the Group's overseas subsidiaries have not generated any revenue as at the financial year ended 31 December 2005, segmental information is not presented.