



# **METRONIC GLOBAL BERHAD**

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

## **INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED**

**31 DECEMBER 2006**

**METRONIC GLOBAL BERHAD (632068-V)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006**  
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
		RM	RM	RM	RM
Revenue		29,607,920	28,464,556	110,942,967	84,473,902
Cost of sales		<u>(22,174,446)</u>	<u>(20,820,958)</u>	<u>(87,649,693)</u>	<u>(60,928,651)</u>
Gross profit		7,433,474	7,643,598	23,293,274	23,545,251
Other operating income		26,872	52,950	475,519	213,000
Administration expenses		(717,173)	(437,938)	(2,405,579)	(1,971,649)
Operating expenses		(3,145,419)	(2,459,209)	(8,723,024)	(9,271,664)
Finance costs		(81,757)	(8,422)	(192,595)	(15,077)
Interest income		<u>78,130</u>	<u>172,140</u>	<u>263,918</u>	<u>281,339</u>
Profit before tax		3,594,127	4,963,119	12,711,513	12,781,200
Taxation	21	(916,601)	(1,391,015)	(3,608,093)	(3,557,640)
Net profit for the period		<u>2,677,526</u>	<u>3,572,104</u>	<u>9,103,420</u>	<u>9,223,560</u>
Attributable to:					
Equity holders of the parent		2,782,670	3,572,084	9,289,437	9,249,354
Minority interest		(105,144)	20	(186,017)	(25,794)
		<u>2,677,526</u>	<u>3,572,104</u>	<u>9,103,420</u>	<u>9,223,560</u>
Earnings per share (sen)					
Basic		0.98	1.26	3.28	3.26
Diluted		0.98	1.26	3.28	3.26

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**METRONIC GLOBAL BERHAD (632068-V)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

(The figures have not been audited)

	Note	As at 31.12.2006 RM	(Audited) As at 31.12.2005 RM (restated)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		11,119,356	11,375,965
Investment properties		399,750	992,913
Intangible assets		339,262	479,755
Other investments		546,482	414,149
Development costs		2,855,970	458,179
Deferred tax assets		1,346,000	1,341,000
		<u>16,606,820</u>	<u>15,061,961</u>
<b>CURRENT ASSETS</b>			
Inventories		4,829,625	5,386,059
Trade receivables		101,684,284	68,274,772
Other receivables		4,103,740	1,656,177
Tax recoverable		59,739	-
Short term deposits		6,815,888	6,112,856
Cash & bank balances		4,148,718	5,243,920
		<u>121,641,994</u>	<u>86,673,784</u>
<b>TOTAL ASSETS</b>		<u>138,248,814</u>	<u>101,735,745</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		28,354,000	28,354,000
Share premium		6,406,222	6,406,222
Exchange reserve		(51,769)	83,729
Retained profits		26,785,149	18,108,159
		<u>61,493,602</u>	<u>52,952,110</u>
<b>Minority interest</b>		1,139,138	-
<b>TOTAL EQUITY</b>		<u>62,632,740</u>	<u>52,952,110</u>
<b>NON CURRENT LIABILITIES</b>			
Hire purchase creditor		107,037	-
<b>CURRENT LIABILITIES</b>			
Trade payables		66,216,200	39,835,089
Other payables		5,211,294	4,658,728
Bank borrowings	25	3,036,543	3,108,818
Provision for taxation		1,045,000	1,181,000
		<u>75,509,037</u>	<u>48,783,635</u>
<b>TOTAL LIABILITIES</b>		<u>75,616,074</u>	<u>48,783,635</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>138,248,814</u>	<u>101,735,745</u>

The condensed consolidated balance sheet should be read in conjunction with the annual financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**METRONIC GLOBAL BERHAD (632068-V)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
(The figures have not been audited)

	← Attributable to Equity Holders of the Parent →				Total RM	Minority Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Exchange Reserve RM	Retained Profits RM			
As at 1 January 2005	28,354,000	6,406,222	-	10,083,699	44,843,921	-	44,843,921
Currency translation differences	-	-	83,729	-	83,729	-	83,729
Net profit for the period	-	-	-	9,249,354	9,249,354	-	9,249,354
Final dividend for financial year ended 31 December 2004 paid				(612,447)	(612,447)	-	(612,447)
Interim dividend for financial year ended 31 December 2005 paid				(612,447)	(612,447)	-	(612,447)
As 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>	<u>-</u>	<u>52,952,110</u>
As at 1 January 2006	28,354,000	6,406,222	83,729	18,108,159	52,952,110	-	52,952,110
Currency translation differences	-	-	(135,498)	-	(135,498)	-	(135,498)
Acquisition and subscription of shares in subsidiary by minority shareholder	-	-	-	-	-	1,325,155	1,325,155
Net profit/(loss) for the period	-	-	-	9,289,437	9,289,437	(186,017)	9,103,420
Final dividend for financial year ended 31 December 2005 paid				(612,447)	(612,447)	-	(612,447)
As at 31 December 2006	<u>28,354,000</u>	<u>6,406,222</u>	<u>(51,769)</u>	<u>26,785,149</u>	<u>61,493,602</u>	<u>1,139,138</u>	<u>62,632,740</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**METRONIC GLOBAL BERHAD (632068-V)**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
(The figures have not been audited)

	12 months ended	
	31.12.2006	31.12.2005
	RM	RM
Cash flows from operating activities	1,223,659	(1,468,442)
Cash flows from investing activities	(1,086,140)	(6,118,037)
Cash flows from financing activities	<u>(22,600)</u>	<u>(319,213)</u>
Net change in cash and cash equivalents	114,919	(7,905,692)
Effect of foreign exchange rate changes	29,520	-
Cash and cash equivalents at beginning of the period	3,731,603	11,637,294
Cash and cash equivalents at end of the period	<u><u>3,876,042</u></u>	<u><u>3,731,602</u></u>

Cash and cash equivalents at the balance sheet date comprise the following:

Cash and bank balances	4,148,718	5,243,920
Bank overdraft (Note 25)	(272,676)	(1,512,318)
	<u><u>3,876,042</u></u>	<u><u>3,731,602</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED  
31 DECEMBER 2006 PURSUANT TO FRS 134**

**1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9 Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

**2. Changes in accounting policies**

The significant accounting policies adopted in the interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Properties

The adoption of the above FRS does not have significant financial impact on the group for the current quarter under review except for the following:

**(a) FRS 5: Non-Current Assets Held for Sale and Discontinued Operations**

The adoption of FRS 5 requires a non-current asset to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Non current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively since 1 January 2006, which has resulted in a change in accounting policy whereby the carrying amount of a building is reclassified from property, plant and equipment to non-current asset held for sale.

## 2. Changes in accounting policies (cont'd)

### (b) FRS 101: Presentation of financial statements

The current period's presentation of the Group's financial statements is based on the revised requirement of FRS 101, with the comparatives restated to conform with the current period's presentation.

### (c) FRS 138: Intangible assets

The adoption of this new FRS has resulted in a change in accounting policy for certain acquired computer software and licenses whereby computer software and licenses that are not integral part of the related hardware are treated as intangible assets. Such intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided for on a straight-line basis over the estimated useful life of the intangible assets.

### (d) FRS 140: Investment property

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Properties held for capital gain or rental purposes are reclassified from property, plant and equipment to investment properties. Investment properties are now stated at fair value, representing open-market value. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, investment properties were carried at cost and depreciated on a straight-line basis over its estimated useful life. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively.

## 3. Comparatives

The following amounts as at 31 December 2005 have been reclassified as follows:

	Previously stated	Reclassification	Restated
Property, plant and equipment	12,848,633	(1,472,668)	11,375,965
Investment properties	-	992,913	992,913
Intangible assets	-	479,755	479,755

## 4. Qualification of audit report of the preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 December 2005 was not subject to any qualification.

**5. Seasonality or cyclicalness of interim operations**

The Group's interim operations are not materially affected by seasonal or cyclical factors during the quarter under review.

**6. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

**7. Material changes in estimates**

There were no changes in estimates that have had a material effect for the current quarter's results.

**8. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the quarter under review.

**9. Dividends**

A final dividend of 3% less 28% income tax on 283,540,000 ordinary shares, amounting to RM612,447, in respect of the financial year ended 31 December 2005, had been approved by shareholders in the Annual General Meeting held on 15 June 2006 and was paid by the company on 28 July 2006 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 6 July 2006.

**10. Segmental information**

Segmental information is not presented during the quarter under review as the Group's overseas subsidiaries have not generated any revenue.

**11. Valuations of property, plant & equipment**

The Group did not carry out any valuation on its property, plant and equipment for the current quarter under review.

**12. Material subsequent events**

There were no material events subsequent to the end of the current quarter.

### 13. Changes in the composition of the Group

Save as disclosed in Note 24(a) and below, there were no changes in the composition of the Group during the current quarter under review:

#### Acquisition of a subsidiary

On 22 December 2006, the Company acquired 2 ordinary shares of RM1.00 each in Trend Gate Systems Sdn Bhd ("TRSSB") representing 100% of its issued and paid-up share capital for a total cash consideration of RM2 from Salasiah Binti Mohd Said and Asiah Binti Osman. TRSSB was incorporated on 22 November 2006. The intended principal activities of the TRSSB are carrying out research and development, production and marketing of the building automation and security system products, modules and related parts.

### 14. Changes in contingent liabilities and contingent assets

There were no changes in the contingent liabilities and contingent assets since the last balance sheet as at 31 December 2005 except for the following:

	Contingent liability 31.12.2006	
	USD	RM equivalent
Corporate guarantee issued to a foreign financial institution in respect of credit facilities granted to an oversea subsidiary	250,000	883,250

### 15. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 31 December 2006 is as follows:-

	31.12.2006 RM
Approved and contracted for	
- Investment in unquoted shares, outside Malaysia	741,825
Approved and contracted for	
- Research and development expenditure	367,915

## 16. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 31 December 2006 are as follows:

	3 months ended 31.12.2006 RM	12 months ended 31.12.2006 RM
Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company	15,000	60,000
Rental receivable from MCSB	3,000	12,000
Accounting fee receivable from Meditechnique Sdn Bhd ("Meditechnique"), a company in which a director has interest	-	12,000
Rental receivable from Meditechnique	-	12,000
Purchases from ITG Worldwide (M) Sdn Bhd ("ITG"), a company in which a director has interest	224,945	1,504,740
Accounting fee receivable from ITG	6,000	12,000
Rental receivable from ITG	3,000	6,000
Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company	17,445,696	69,635,807
Subcontractor fee payable to Ledtronic Sdn Bhd, a common director related company	88,512	111,889
Subcontractor fee payable to Integrated Commerce (M) Sdn Bhd ("ICM"), a common director related company	-	14,475
Maintenance revenue receivable from ICM	20,550	20,550

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.

**METRONIC GLOBAL BERHAD (632068-V)**  
(Incorporated in Malaysia)

**ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**

**17. Performance Review**

The Group recorded a revenue of RM29.61 million for the current quarter under review, which is RM1.15 million or 4% higher than the corresponding figure of RM28.46 million for the previous financial year, mainly due to slightly higher value of progress work being completed and higher maintenance income. The profit before taxation for the current quarter under review is reported at RM3.59 million, which is RM1.37 million or 27% lower compared with the corresponding figure of RM4.96 million for the previous financial year mainly due to higher administration and operating expenses.

The Group's revenue of RM110.94 million for the current financial year ended 31 December 2006 is RM26.47 million or 31% higher than the revenue of RM84.47 million reported in the previous financial year ended 31 December 2005, while the profit before taxation is reported at RM12.71 million compared to the corresponding figure of RM12.78 million for the previous financial year ended 31 December 2005. The constant profit before tax as opposed to the increase in revenue was attributable to higher billings from projects of lower profit margin.

**18. Material changes in profit before taxation for the current quarter as compared with the preceding quarter**

The Group's revenue for the current quarter ended 31 December 2006 decreased by RM0.93 million or 3% as compared to that of the previous quarter ended 30 September 2006, while the profit before tax for the current quarter ended 31 December 2006 of RM3.59 million increased by RM0.31 million or 9% from the preceding quarter ended 30 September 2006 of RM3.28 million. The increase in profit before tax as oppose to the drop in revenue was mainly due to higher gross profit for the current quarter despite higher operating cost being incurred for the current quarter as compared to the preceding quarter.

**19. Current year prospects**

Over the past few years, the Group has been actively embarking on product diversification and geographical expansion strategies through its continuous research and development effort and by working closely with its strategic partners.

In view of the above and the order book, as well as the potential projects the Group is currently pursuing, both locally and overseas, the Directors are of the opinion that the Group should be able to maintain its performance in accordance to expectations for the next financial year ending 31 December 2007.

**20. Profit forecast or profit guarantee**

Not applicable as no profit forecast was published by the Group.

## 21. Taxation

	3 months ended 31.12.2006 RM	12 months ended 31.12.2006 RM
Income tax expense:		
Malaysian income tax	660,463	3,778,119
Overprovision of Malaysian income tax in prior year	(31,862)	(165,026)
	<hr/>	<hr/>
	628,601	3,613,093
Deferred tax expense	288,000	(5,000)
	<hr/>	<hr/>
	916,601	3,608,093

The effective tax rate for the financial year ended 31 December 2006 presented above is higher than the statutory tax rate principally due to certain expenses not deductible for tax purposes.

## 22. Sale of unquoted investments and properties

There were no sale of unquoted investments and properties for the current quarter under review.

## 23. Marketable securities

(a) Investments in quoted securities as at 31 December 2006 are as follows:

	As at 31.12.2006 RM
At cost	1,189,166
At carrying value	452,482
At market value	<hr/>
	452,482

## 24. Corporate proposals

### (a) Status of corporate proposals

The following are the corporate proposals announced but not completed as at the date of this announcement:

#### (i) Acquisition of a foreign subsidiary

Pursuant to the Memorandum of Understanding dated 7 March 2003 and the disclosure in the Company's Prospectus dated 30 April 2004, Metronic Engineering Sdn Bhd ("MESB"), a wholly-owned subsidiary of the Company, had, on 13 July 2004, entered into a conditional Acquisition of Shares and Shareholders Agreement ("the Agreement") with Infocon Holdings (S) Pte Ltd ("ISPL") whereby MESB agreed to purchase 51% of shares in Infocon (Beijing) Environment Control Technology Company Limited ("IBEC"), a subsidiary of ISPL for a cash consideration of USD300,000. Approval from Bank Negara Malaysia under ECM 9 had been obtained on 23 July 2004.

A proposal had been submitted to ISPL proposing variations to certain terms and conditions of the Agreement. As at the date of this announcement, the acquisition is still under negotiation.

## 24. Corporate proposals (cont'd)

### (a) Status of corporate proposals (cont'd)

#### (ii) Cooperation agreement with FEELingK Co., Ltd

On 18 May 2006, MGB announced that the Company had on 17 May 2006 entered into a binding Heads of Agreement with FEELingK Co., Ltd ("FEELingK") to set up a joint venture company, to be named as FEELingK Malaysia Sdn Bhd ("FKSB") with the primary objective of deploying Card Notification Solution, Bulk Short Message Services, Voice SMS and the related consultancy, implementation and operations in Malaysia, Pakistan, India, United Arab Emirates, Saudi Arabia, Qatar, Australia, New Zealand and any other countries to be mutually agreed by MGB and FEELingK ("Joint Venture Agreement"). The shareholdings of the respective joint venture partners shall be as follows: MGB (60%) and FEELingK (40%).

On 7 July 2006, MGB announced that the Company had on 6 July 2006 acquired 2 ordinary shares of RM1.00 each in FKSB representing 100% of its issued and paid-up share capital for a total cash consideration of RM2.00 from Ng Ah Fong and Teng Mee Leng. On even date, the Company further subscribed 98 ordinary shares of RM1.00 each in FKSB. As at the date of this announcement, both parties are in the midst of finalising a cooperation agreement

#### (iii) Deed of partnership in the Emirate of Dubai

On 14 June 2006, MGB announced that the Company had on 11 June 2006 entered into a deed of partnership with Tariq Mohammed Saeed Abdulla Al Jassmi, a UAE national ("Tariq") and Khalid Abdul Karim Faris, a Jordanian national ("Khalid") (collectively known as the Parties) for the purpose of carrying out the business of intelligent building management system, integrated security management, e-project management of mechanical and electrical services and other related activities in the entire Middle-East and North Africa region. The partners intend to incorporate a company with limited liability in the Emirate of Dubai under the proposed name of "Metronic Global Berhad LLC" ("the JVC") subject to the approvals of the relevant authorities. The shareholdings of the respective partners in the JVC shall be as follows: MGB (50%), Tariq (25%) and Khalid (25%).

As at the date of this announcement, an initial approval to set up a Limited Liability Company ("LLC") has been obtained from the Department of Economic Development, Dubai and the LLC is in the midst of being set up.

#### (iv) Proposed Acquisition of Unilink; Proposed Acquisition of HK Broadway; Proposed Call Option; Proposed Private Placement; Proposed Bonus Issue; Proposed IASC; Proposed M&A Amendments; and Proposed Transfer

On 14 August 2006, the Company had, via its advisor, Hwang DBS Securities Berhad announced the following proposals:

- Proposed acquisition of 125 ordinary shares of Hong Kong Dollar ("HK\$") 1.00 each in Unilink Development Limited ("Unilink") ("Unilink Shares") representing 12.5% equity interest in Unilink for a purchase consideration of Renminbi ("RMB") 15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new ordinary shares of RM0.10 each in MGB ("MGB Shares") at an issue price of RM0.30 per MGB Share ("Proposed Acquisition of Unilink")

## 24. Corporate proposals (cont'd)

### (a) Status of corporate proposals (cont'd)

- (v) **Proposed Acquisition of Unilink; Proposed Acquisition of HK Broadway; Proposed Call Option; Proposed Private Placement; Proposed Bonus Issue; Proposed IASC; Proposed M&A Amendments; and Proposed Transfer (cont'd)**
- Proposed acquisition of 10,000 ordinary shares of HK\$1.00 each in HK Broadway Electronics Company Limited ("HK Broadway") ("HK Broadway Shares") representing 100% equity interest in HK Broadway for a purchase consideration of RMB15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new MGB Shares at an issue price of RM0.30 per MGB Share ("Proposed Acquisition of HK Broadway").
  - Proposed call option arrangement between MGB and Zonemax whereby Zonemax has granted MGB a call option to acquire 563 Unilink Shares representing approximately 56.25% equity interest in Unilink for a purchase consideration of RMB67,500,000 ("Call Option") which shall be satisfied by the issuance of up to 103,686,636 new MGB Shares at an issue price of RM0.30 and/or cash payment to be mutually agreed upon by Zonemax and MGB or, if the Proposed Bonus Issue (as defined hereinafter) is implemented, 182,976,416 new MGB Shares at an issue price of RM0.17 per MGB Share and/or cash payment to be mutually agreed by Zonemax and MGB ("Proposed Call Option").
  - Proposed private placement of up to 42,531,000 new MGB Shares ("Placement Shares") representing fifteen percent (15%) of the existing issued and paid-up share capital of MGB at an issue price to be determined based on a discount of not more than ten percent (10%) on the five (5) day volume weighted average market price of Company's Shares ("VWAMP") ("Proposed Private Placement").
  - Proposed bonus issue of up to 318,989,098 new Company's Shares ("Bonus Shares") to be credited as fully paid-up on the basis of six (6) Bonus Shares for every seven (7) MGB Shares held ("Proposed Bonus Issue").
  - Proposed increase in the authorised share capital of MGB from RM50,000,000 comprising 500,000,000 MGB Shares to RM100,000,000 comprising 1,000,000,000 Company's Shares ("Proposed IASC")
  - Proposed amendments to the Memorandum and Articles of Association ("M&A") of Company's ("Proposed M&A Amendments")
  - Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of the Company from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer").

On 6 November 2006, the Company, via its advisor further announced that the Securities Commission ("SC") (Securities Issues Department and Equity Compliance Unit), had, vide its letter dated 3 November 2006, approved the above Proposals, subject to the conditions as stated in the said announcement. On 24 January 2007, the Company's advisor further announced that SC had vide its letter dated 19 January 2007 approved a revision to certain terms and conditions of the above Proposals.

On 26 February 2007, the Company's advisor further announced that Bank Negara Malaysia ("BNM") had, vide its letter dated 14 February 2007 approved the investment abroad to be made by MGB for the Proposed Acquisition of Unilink and the Proposed Call Option subject to certain conditions. The Proposed Acquisition of HK Broadway has been registered with BNM.

The Circular to shareholders on the Proposals will be despatched to shareholders in due course.

## 24. Corporate proposals (cont'd)

### (b) Status of utilisation of proceeds

As at the date of this announcement, the proceeds arising from the public issue of 71,000,000 new ordinary shares of 10 sen each pursuant to the listing of the Company on the MESDAQ Market of Bursa Securities amounting to RM14.91 million have been utilised as follows:

Purpose of proceeds	Proposed	Actual	Intended	Deviation /		Explanation
	Utilisation	Utilisation	Timeframe for	Balance	%	
	RM	RM	Utilisation	RM		
Repayment of bank borrowings	5,000,000	5,000,000	1 year	-	100	Fully Utilised
Capital expenditure for office expansion	2,600,000	2,600,000	1 year	-	100	Fully Utilised
R&D expenditure	3,000,000	1,930,845	3 years	1,069,155	36	Expected to be utilised within 3 years from the date of listing on 24 May 2004
Working capital	3,110,000	3,110,000	1 year	-	100	Fully Utilised
Estimated listing expenses	1,200,000	1,200,000	1 year	-	100	Fully Utilised
	<b>14,910,000</b>	<b>13,840,845</b>		<b>1,069,155</b>		

## 25. Borrowings and debt securities

The Group's total borrowings, all of which were secured, as at 31 December 2006 were as follows:-

	Short term	Long term	Total
	RM	RM	RM
Bank overdraft	272,676		272,676
Bankers' acceptances and trust receipts	1,410,687	-	1,410,687
Revolving credit	1,353,180	-	1,353,180
Total	<b>3,036,543</b>	<b>-</b>	<b>3,036,543</b>

	RMB	RM equivalent
Borrowings denominated in foreign currency: Renminbi	<b>3,000,000</b>	<b>1,353,180</b>

## 26. Off Balance Sheet financial instruments

The Group had not entered into any contracts involving off balance sheet financial instruments as at the date of this announcement.

## 27. Changes in material litigation

There were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2005, except as disclosed below:

- (a) MESB had on 26 September 2003 vide Civil Suit No MT3-22-833-2003 made a claim against United Engineers (Malaysia) Bhd ("UEM") for RM939,365.14 being the non-settlement of the third payment for the provision of BAS Control System for Telekom Malaysia Berhad Headquarters Project pursuant to an agreement between MESB and UEM dated 2 May 2002. The Defendant had filed its defence on 16 January 2004. MESB had filed its reply to the defence on 29 January 2004. The suit came up for 1st Pre-Trial Case Management on 1 February 2005. On 17 January 2006, UEM's application to determine the suit by way of a Question of Law had been dismissed by the High Court of Shah Alam. The Judge ordered the suit to be heard in Open Court. The Court has directed that 8 March 2007 shall be the final Case Management and a hearing date will be fixed then. MESB has, through an application to the Court, sought UEM to disclose and file its deductions and any claims to the Court and to MESB's solicitors and also to explain to the Court why UEM has not finalised its accounts since 9.6.2002, which till todate UEM has not done so. The legal advisor is of the opinion that MESB has a good chance of succeeding in its claim.
- (b) Further to the letter of demand as disclosed during the quarter ended 31 March 2005, MESB had, through its solicitors served a Section 218 Notice dated 21 June 2005 on Ireka Engineering & Construction Sdn Bhd ("Ireka") for the outstanding sum of RM1,533,676.74 for the provision of Building Security System – Card Access & Management System ("BSS-CAMS") for the General Office Area and Common Facilities of Government Buildings at Lot 4G3 & 4G4, Precinct 4 (Phase 2) at the Federal Government administrative Centre in Putrajaya. After the discussions between both parties which were carried out on 24 June 2005 and 29 June 2005, Ireka agreed to settle the outstanding sum of RM2,528,777.39 for the provision of both BSS-CAMS and Building Control System ("BCS") by issuing MESB nine (9) post dated cheques each over a period of nine (9) months. As at the date of this announcement, all the nine (9) post dated cheques have been cleared.
- (c) Lee Bee Leng & two (2) others vs (1) MESB and (2) University Teknologi Petronas. On 15 November 2005, MESB, being the first (1st) defendant was served with a Writ of Summons dated 24 October 2005 by Lee Bee Leng & two (2) others ("Plaintiffs") claiming for among others general damages amounting to RM500,000.00 or to be taxed by the court ("Negligence Claim") and special damages amounting to RM403,550.00 ("Dependency Claim") due to the death of the 1st Plaintiff's husband and 2nd & 3rd Plaintiff's father. The maximum exposure to liabilities of MESB and University Teknologi Petronas is therefore estimated at RM903,550.00. The Plaintiffs claimed that the death was caused by the alleged negligence of MESB and University Teknologi Petronas. A Statement of Defence was filed with the Ipoh High Court on 11 January 2006 by MESB's solicitors. A reply to the Statement of Defence was dated 10 February 2006.

On 15 May 2006, MESB's solicitors was served with the Plaintiffs' application for abridgement of time to file a claim in respect of Dependency Claim against MESB. Two (2) affidavits in opposition of the Plaintiffs' application affirmed on 31 May 2006 and 30 June 2006 have been duly filed on 1 June 2006 and 5 July 2006 respectively at the Ipoh High Court. The Registrar has on 8 September 2006 ruled in favour of the Plaintiffs' application for extension of time and cost to be borne by the Plaintiffs. A notice of appeal to the Judge against the decision of the Registrar dated 13 September 2006 has been filed at the Ipoh High Court and the Court has fixed 14 March 2007 as the hearing date.

## 27. Changes in material litigation (cont'd)

MESB's solicitors are of the view that MESB may be able to resist the Dependency Claim successfully by virtue of the fact that the claim is beyond the legitimate timeframe, which is three (3) years ("Defence of Limitation"). As such, an application for striking out the Dependency Claim dated 7 September 2006 has been filed with the Ipoh High Court and the hearing is fixed on 14 March 2007.

For the Negligence Claim, (or if the Defence of Limitation is unsuccessful on the Dependency Claim), MESB's solicitors are of the view that the Plaintiffs' claim would very much depend on (among other things) the availability and strength of the Plaintiffs' witnesses' testimonies and the proving of the requisite ingredients of the negligence by the Plaintiffs on the balance of probabilities. If the Plaintiffs fail to reach the standard required, then the Plaintiffs' action will fail against MESB and UTP. Moreover, the Plaintiffs must also prove specific acts or omissions of the MESB and UTP, that are alleged to be negligent, this may be a difficult task for the Plaintiffs as the Plaintiffs do not have personal knowledge of the incident of the material time and had to depend extensively on other witnesses' testimonies to prove the Plaintiffs' claim. In addition, MESB has been able to locate the relevant witnesses with personal knowledge in respect of the case to show that no negligence were involved on MESB's side. In the opinion of MESB's solicitors, MESB should have a good arguable case to go to court.

- (d) 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 RM1,751,617.27 from MGB pursuant to a Software Development Agreement dated 9 May 2005 ("the Agreement") 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 China.

The Company's solicitors had on 16 January 2007 filed a Conditional Appearance challenging the action as not within the Jurisdiction of the High Court of Malaya but any remedy sought by CWorks should be referred to Arbitration under Malaysian Laws. The Company had confirmed the non-fulfillment of the Agreement by CWorks via a letter dated 5 December 2006 demanding the fulfilment of CWorks' contractual obligation. However, the letter remained unanswered. The hearing is fixed on 28 March 2007. The Company's solicitors are of the opinion that CWorks' claims are premature in nature and in breach of its own actual obligations. Therefore, the prospect of defending the suit is good.

## 28. Dividends

No dividend is declared in respect of the quarter under review.

## 29. Earnings per share

	3 months ended 31.12.2006	12 months ended 31.12.2006
Net profit (RM)	2,782,670	9,289,437
Weighted average number of ordinary shares in issue	283,540,000	283,540,000
Earnings per share (sen)		
- Basic	0.98	3.28
- Diluted	0.98	3.28

## 30. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2007.