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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The ordinary resolutions in respect of the above Proposals (as defined herein) will be tabled at the Seventh (7th) Annual General Meeting ("AGM") of the Company to be held at Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 June 2010 at 10.00a.m. Notice of the AGM, together with the Form of Proxy, is set out in the Annual Report of the Company for the financial year ended 31 December 2009 which is despatched together with this Circular.

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf. The completed Proxy Form must be deposited at the Registered Office of the Company at No.4, 2nd Floor, Jalan 3/27F, Desa Setapak, Wangsa Maju 53300 Kuala Lumpur, not later than forty-eight (48) hours before the time stipulated for holding the Seventh (7th) AGM. The lodging of the Proxy Form shall not preclude the member from attending and voting in person at the meeting should the member subsequently wish to do so.

The last date and time for lodging the Proxy Form is on Monday, 28 June 2010 at 10:00a.m.

This Circular is dated 8 June 2010

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

- “Act” - Companies Act, 1965, as amended from time to time and any re-enactment thereof
- “AGM” - Annual General Meeting
- “ALMWS” - Anhui Lai’An Metronic Water Supply Company Limited
- “Board” - Board of Directors of MGB
- “Bursa Securities” - Bursa Malaysia Securities Berhad (635998-W)
- “CMSA” - Capital Markets and Services Act 2007
- “Director” - Shall have the same meaning given in Section 2(1) of the CMSA and for the purposes of the Proposed Renewal of Shareholders’ Mandate includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of MGB or its subsidiaries or a chief executive officer of MGB or its subsidiaries
- “ERM” - ER Mekatron Manufacturing Sdn Bhd (657604-D)
- “Heng-Ai” - Hangzhou Heng-Ai Electronics Co. Ltd
- “HK Broadway” - Hong Kong Broadway Electronics Company Limited
- “ICSB” - Integrated Commerce Sdn Bhd (529638-A)
- “IPM” - IPanel Malaysia Sdn Bhd (590326-A)
- “ITG” - ITG Worldwide (M) Sdn Bhd (510781-D)
- “IUSB” - Ideal Ultimate Sdn Bhd (823540-V)
- “Listing Requirements” - Main Market Listing Requirements of Bursa Securities including any amendment that may be made from time to time
- “Major Shareholder” - A person who has an interest or interests in one or more voting shares in MGB and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:
- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in MGB, or
 - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in MGB where such person is the largest shareholder of MGB,
- including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of MGB or its subsidiaries. For the purpose of this definition, “interest in shares shall have the meaning given in Section 6A of the Act.
- “MAPL” - Metronic Australia Pty Ltd (A.C.N. 120 049 041)

DEFINITIONS *(Cont'd)*

“MCSB”	- Metronic Corporation Sdn Bhd (358952-U)
“MEPL”	- Metronic Engineering Pvt Ltd (01-46481)
“MESB”	- Metronic Engineering Sdn Bhd (125404-M)
“MGB” or “Company”	- Metronic Global Berhad (632068-V)
“MGB Group” or “Group”	- MGB and its subsidiaries
“MGB Shares” or “Shares”	- Ordinary shares of RM0.10 each in MGB
“MHP”	- MH Projects Sdn Bhd (393858-W)
“MiCARES”	- Metronic iCares Sdn Bhd (727400-M)
“MISSB”	- Metronic Integrated System Sdn Bhd (332032-D)
“MMBCL”	- Metronic Microsystem (Beijing) Company Limited
“MMSSB”	- Metronic Mobile Services Sdn Bhd (733049-M)
“MRDSB”	- Metronic R&D Sdn Bhd (753991-V)
“MVCL”	- Metronic Vietnam Company Limited (S.G.C.N:011043000448)
“NA”	- Net assets
“Newtronics”	- Newtronics Hangzhou Co. Ltd
“Proposals”	- The Proposed Renewal of Shareholders’ Mandate and the Proposed New Shareholders’ Mandate, collectively
“Proposed New Shareholders’ Mandate”	- Proposed new shareholder’s mandate pursuant to Paragraph 10.09 of the Listing Requirements for the MGB Group to enter into the RRPTs
“Proposed Renewal of Shareholders’ Mandate”	- Proposed renewal of shareholders’ mandate pursuant to Paragraph 10.09 of the Listing Requirements for the MGB Group to enter into the RRPTs
“Related Party(ies)”	- A Director, Major Shareholder or person(s) connected with such Director or Major Shareholder of MGB or its subsidiaries
“RRPT(s)”	- Related party transactions involving recurrent transactions of a revenue or trading nature, which are necessary for the day-to-day operations of the Company or its subsidiaries and in the ordinary course of business of the MGB Group
“RM”	- Ringgit Malaysia
“Securetrax”	- Securetrax Solutions Pte Ltd (200701764C)
“Shareholders’ Mandate”	- Shareholders’ Mandate pursuant to Paragraph 10.09 of the Listing Requirements
“Unilink”	- Unilink Development Limited

CONTENTS

	Page
LETTER TO THE SHAREHOLDERS OF MGB:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE	8
4. FINANCIAL EFFECTS	9
5. APPROVAL REQUIRED	9
6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	9
7. DIRECTORS' RECOMMENDATION	9
8. AGM	10
9. FURTHER INFORMATION	10
APPENDIX I: FURTHER INFORMATION	11
EXTRACT OF NOTICE OF THE AGM	14



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

8 June 2010

Board of Directors:

Tan Sri Dato' Kamaruzzaman bin Shariff (*Executive Chairman*)

Dato' Abd. Gani bin Yusof (*Executive Vice-Chairman*)

Dr. Ng Tek Che (*Group Managing Director*)

Liew Chiap Hong (*Executive Director*)

Datuk Subhi bin Hj Dziauddin (*Independent Non-Executive Director*)

Lim Tzeh Foong (*Independent Non-Executive Director*)

Edmund Chuah Choong Eng Huat (*Non-Independent Non-Executive Director*)

To: The Shareholders of Metronic Global Berhad

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

MGB had during the last AGM on 30 June 2009, obtained a Shareholders' Mandate on the RRPTs. The authority conferred by the Shareholders' Mandate shall in accordance with the Listing Requirements lapse at the conclusion of the forthcoming AGM of the Company unless by a resolution passed at the meeting, the authority is renewed.

In relation thereto, MGB had on 1 June 2010 announced its intention to seek approval from its shareholders in respect of the Proposed Renewal of Shareholder's Mandate for RRPTs

The Company further proposes its intention to seek approval from its shareholders in respect of the Proposed New Shareholders' Mandate for additional RRPTs to be entered into by MGB Group from the conclusion of the forthcoming AGM up to the date of the next AGM of the Company.

The purpose of this Circular is to provide you with the relevant information pertaining to the Proposals and to seek your approval for the resolutions to be tabled at the forthcoming AGM of the Company.

You are advised to read the contents and appendix of this Circular carefully before voting on the resolutions pertaining to the Proposals at the forthcoming AGM of the Company.

2. DETAILS OF THE PROPOSALS

2.1 Paragraph 10.09 of the Listing Requirements

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed company may seek a mandate from its shareholders for RRPTs, subject to, inter-alia, the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
 - (a) the consideration, value of the assets, capital outlay or costs of the recurrent transactions is equal to or exceeds RM1 million; or
 - (b) any one of the percentage ratio of such recurrent transactions is equal to or exceeds 1%, whichever is higher;
- (iii) the issuance of a circular to shareholders for the shareholders' mandate which include the information as may be prescribed by Bursa Securities;
- (iv) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution approving the transactions. The interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (v) the Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more and must inclusive of information as may be prescribed by Bursa Securities.

The Proposals, if approved by the shareholders of MGB at the forthcoming AGM, will continue to be in force until:

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting before the next AGM,

whichever is earlier.

2.2 Principal Activities of the MGB Group

The principal activity of MGB is investment holding. The principal activities of MGB's subsidiaries are set out below:

Name	Effective equity interest (%)	Principal activities
MESB	100	System integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; and supply of engineering systems.
MISSB	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.
MMBCL	100	Design, production and sale of engineered systems for the information and communication technology industry, specialising in intelligent building management system and telecommunication system.
MEPL	70	Design, production and sale of engineering systems for the information and communication and technology industry, specialising in intelligent building management system and integrated security management system.
MiCARES	51	Third Party Administrator (TPA) and Managed Care Organisation (MCO) for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.
MMSSB	100	Dormant.
MRDSB	100	Research, development, production and the marketing of building automation and security system products, modules and related parts.
MAPL	60	Dormant.
Securetrax	99	Development, production and marketing of products relating to home land security.
IUSB	58	Currently dormant. Intended activities are development and commercialisation of the Optical Fiber Perimeter Security System.
MVCL	100	Design, production and sales of engineering systems for the information and communication technology industry, specialising in intelligent building management system and integrated security management system.
IPM	82.5	Currently dormant. Intended principal activities are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system
ALMWS	100	Design, construction, production, operation, maintenance and sale of treated water.

2.3 Classes of Related Parties and Nature of RRPTs

The RRPTs and the estimated aggregate value which will be covered in the Proposals are identified below

	Companies within the MGB Group	Transacting Parties	Nature of Transactions	Related Parties	Nature of relationship	Estimated Value During the Validity Period of the Mandate ⁽ⁱ⁾ (RM'000)	Actual Transacted value During the Validity Period of Transaction ⁽ⁱⁱ⁾ (RM'000)	Proposed Estimated Amount ⁽ⁱⁱⁱ⁾ (RM'000)
(1)	MESB	MCSB	Rental of office space of 600 square feet at No 2, Jalan Astaka, U8/83, Section U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan to MCSB for RM1,000 per month	<ul style="list-style-type: none"> ▪ Dato' Abd. Gani bin Yusof ▪ Dr. Ng Tek Che ▪ Liew Chiap Hong 	Note (a)	12	12	12
(2)	MESB	ITG	Purchases of building automation parts from ITG	<ul style="list-style-type: none"> ▪ Liew Chiap Hong 	Note (b)	2,500	-	2500
			Rental of office space of 600 square feet at No 2, Jalan Astaka, U8/83, Section U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan to ITG for RM1,000 per month			12	12	12
(3)	MESB	ICSB	Contract and maintenance revenue receivable from ICSB in respect of projects tendered	<ul style="list-style-type: none"> ▪ Dato' Abd. Gani bin Yusof 	Note (c)	10,000	-	N/A

	Companies within the MGB Group	Transacting Parties	Nature of Transactions	Related Parties	Nature of relationship	Estimated Value During the Validity Period of the Mandate ⁽ⁱ⁾ (RM'000)	Actual Transacted Value During the Validity Period of Transaction ⁽ⁱⁱ⁾ (RM'000)	Proposed Estimated Amount ⁽ⁱⁱⁱ⁾ (RM'000)
(4)	MESB	MHP	Contract maintenance revenue receivable from MHP in respect of e-project management of mechanical and electrical services and supply of medical and non-medical equipment	▪ Dato' Abd. Gani bin Yusof	Note (d)	10,000	24	300
(5)	MESB	Newtronics	Purchase of electronic equipment and parts from Newtronics	▪ Edmund Chuah Choong Eng Huat ("Edmund Chuah")	Note (e)	1,000	-	1,000
(6)	MESB	Heng-Ai	Purchase of electronic equipment and parts from Heng-Ai	▪ Edmund Chuah	Note (f)	1,000	-	1,000
(7)	MESB	ERM	Supply and installation of engineering equipment by ERM	▪ Edmund Chuah	Note (g)	20,000	179	20,000
(8)	MEPL	ERM	*Supply and installation of engineering equipment by ERM #	▪ Edmund Chuah	Note (g)	N/A	N/A	50
Total						44,524	227	24,874

None of the Actual values of the RRPTs has exceeded the Estimated Value by 10% or more.

Being additional RRPTs to be entered into under the Proposed New Shareholders' Mandate.

Notes:

- (i) *The estimated value of transaction as disclosed in the preceding year's Circular to Shareholders dated 8 June 2009 for the period from 30 June 2009 to 30 June 2010.*
 - (ii) *The actual value transacted from 30 June 2009 (the date on which the existing Mandate was obtained) up to 26 May 2010, being the latest practicable date prior to printing of this Circular to Shareholders.*
 - (iii) *The estimated value of transactions from 30 June 2010, the date of the forthcoming AGM to the next AGM based on historical value, information available at the point of estimation and discussions with the Related Parties, which may be subject to changes due to inter-alia, market condition, market prices and exchange rates .*
 - (a) *Dato' Abd. Gani bin Yusof, Dr. Ng Tek Che and Liew Chiap Hong who are Directors of MGB, are also Directors and shareholders of MCSB, with shareholdings of 58%, 22% and 20% respectively.*
 - (b) *Liew Chiap Hong, who is a Director of MGB, is also a Director and shareholder of ITG with a shareholding of 51%.*
 - (c) *Dato' Abd. Gani bin Yusof who is a Director of MGB, was a Director and a shareholder of ICSB with 51% shareholding until 16 July 2009.*
 - (d) *Dato' Abd. Gani bin Yusof, who is a Director of MGB, was a former Director of MHP until 30 November 2009, and a family member of Dato' Abd Gani bin Yusoff is a Director of MHP.*
 - (e) *Newtronics is a 80% owned subsidiary of Unilink, an associated company of MGB. Edmund Chuah who is a Director of MGB, is also a Director of Newtronics.*
 - (f) *Heng-Ai is a 80% owned subsidiary of Unilink, an associated company of MGB. Edmund Chuah who is a Director of MGB, is also a Director of Heng-Ai.*
 - (g) *Edmund Chuah, who is a Director of MGB, is also a Director of ERM with a direct equity interest of 50% and an indirect equity interest of 50% by virtue of his spouse's interest in ERM.*
- N/A Not applicable

2.4 Review Procedures

The MGB Group has established the following procedures to ensure that the RRPTs are undertaken on arms' length basis and on normal commercial terms consistent with the Group's usual business practices and policies, and are undertaken on transaction prices and terms which are generally not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of MGB.

These procedures include the following:

- (i) a list of Related Parties has been circulated to the Directors and the key management within the MGB Group. All subsidiaries have been notified that all RRPTs are required to be undertaken on arm's length basis and on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public;
- (ii) where applicable, the terms of the pricing of the RRPTs will be consistent with the Group's usual business practices and policies and will take into consideration the terms and conditions, level of service and expertise required, quality, reliability and consistency of products and services as compared with the prevailing market rate of prices and general practices by other service providers of similar capacity and capability;

- (iii) wherever practicable and/or feasible, at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third party for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained (for instance, if there are no unrelated third party vendors/customers of similar products or services, or if the product/service is a proprietary item), the transaction price will be determined in accordance with the usual margin of the Group or the prevailing market norm and practices to ensure that the RRPTs are not detrimental to the Company or the Group.
- (iv) all RRPTs will be reviewed by the Audit Committee of the Company on a quarterly basis. Any member of the Audit Committee may as he deems fit, request for additional information pertaining to the RRPTs from independent sources or advisers;
- (v) the Audit Committee will report its findings to the Board for further action if during the quarterly review, the Audit Committee is of the view that the guidelines and procedures are not sufficient to ensure that the RRPTs are carried on normal commercial terms and/or the RRPTs are deemed detrimental to the minority shareholders of MGB;
- (vi) the Audit Committee will review procedures, and will continue to review the procedures, as and when required, with the authority to sub-delegate to individuals or committees within the Company as they deem appropriate;
- (vii) the annual internal audit plan shall incorporate a review of all RRPTs entered into pursuant to the Proposals to ensure that relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to. Any divergence will be reported to the Audit Committee; and
- (viii) if a member of the Board or the Audit Committee has an interest in the transaction, he will abstain from any decision making by the Board or the Audit Committee in respect of the transaction.

2.5 Approval Thresholds for RRPTs

All RRPTs within the Group are subject to the approval threshold as determined by the Board as follows:-

- (i) RRPTs up to RM500,000 each in value will be reviewed and approved by either the Executive Director or the Board; and
- (ii) RRPTs up to RM5 million each in value will be reviewed and approved by the Group Managing Director or the Board; and
- (iii) RRPTs above RM5 million each in value will be reviewed and approved by the Board.

Where any Director has an interest (direct or indirect) in any RRPT, such Director shall abstain from deliberation and voting on the matter. If it is determined that the guidelines and/or procedures stated in Section 2.4 of this Circular are inadequate, the Company will obtain a fresh shareholders' mandate to ensure that:-

- i) RRPTs will be conducted at arms' length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- ii) such transactions are not to the detriment of the minority shareholders of the Company or prejudicial to the interests of the shareholders.

2.6 Disclosure in Annual Report

Disclosure of the RRPTs will be made in accordance with Section 3.1.5 of the Bursa Securities Practice Note 12, which requires a breakdown of the aggregate value of the RRPTs entered into pursuant to the Proposed Shareholders' Mandate during the financial year, including amongst others, the following information:

- (i) the type of RRPTs; and
- (ii) the names of the Related Parties involved in each type of RRPT and their relationship with the Group in the Company's Annual Report, and in the Annual Reports for subsequent financial years that the Proposed Shareholders' Mandate continues in force.

2.7 Statement from Audit Committee

The Audit Committee has reviewed the procedures described in Section 2.4 of this Circular and is satisfied that the procedures are sufficient to ensure that RRPTs are carried out on normal commercial terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. The Audit Committee is also satisfied that that MGB Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and that these procedures and processes are reviewed on annual basis.

3. RATIONALE

The RRPTs entered or to be entered into by the Group are in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time.

These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case by case basis before entering into such RRPTs. As such, the Board is seeking the shareholders' mandate pursuant to Paragraph 10.09 of the Listing Requirements to allow the Group to enter into such RRPTs made on arm's length basis and on normal commercial terms and which are not prejudicial to the interests of the shareholders.

The RRPTs are intended to meet the business needs of the Group at the best possible terms. By transacting with the Related Parties, the Group would have an advantage of familiarity with the background and management of the Related Parties, thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, the Group and the Related Parties have close co-operation and a good understanding of each other's business needs thus providing a platform where all parties can benefit from conducting the RRPTs. Rental of excess office space generates additional income for the Group. The rental offered is based on market value.

By obtaining shareholders' approval for the Proposals, and the renewal of the same on an annual basis, the need to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPTs occur, would not arise. This will substantially reduce administrative time, inconvenience and avoid expenses associated with the convening of such general meetings on an ad hoc basis without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

4. FINANCIAL EFFECTS

The Proposals will not have any effect on the issued and paid-up share capital and major shareholding structure of MGB and are not expected to have any material effect on the earnings and NA of the MGB Group.

5. APPROVAL REQUIRED

The Proposals are conditional upon approval being obtained from the shareholders of the Company at the forthcoming AGM to be convened.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for Dato' Abd. Gani bin Yusof, Dr Ng Tek Che, Liew Chiap Hong and Edmund Chuah (collectively, the "Interested Directors"), none of the other directors and/or major shareholders of MGB and/or persons connected with them have any interest, direct or indirect in the Proposals.

The direct and indirect shareholdings of the Interested Directors as at 31 May 2010 are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Interested Directors:				
- Dato' Abd. Gani bin Yusof	166,767,324	26.266	1,034 ¹	#
- Dr. Ng Tek Che	47,189,175	7.432	1,034 ¹	#
- Liew Chiap Hong	39,903,459	6.285	1,034 ¹	#
- Edmund Chuah	14	#	27 ²	#

Notes:

1. Deemed interest by virtue of Section 6A(4) of the Act (shareholding held through MCSB).
2. Deemed interest by virtue of Section 6A(4) of the Act (shareholding held through his spouse)

Negligible

The Interested Directors as shown above, namely Dato' Abd. Gani bin Yusof, Dr Ng Tek Che, Liew Chiap Hong and Edmund Chuah, have abstained and will continue to abstain from all Board deliberations and voting in respect of the RRPTs contemplated under the Proposals as detailed in Section 2.3 of this Circular. Such Interested Directors will also abstain from voting in respect of their direct and indirect shareholdings on the resolutions approving the Proposals at the forthcoming AGM.

The above Interested Directors have also undertaken to ensure that person(s) connected to them will abstain from voting in respect of their direct and indirect shareholdings on the resolutions pertaining to the Proposals at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

The Board (with the exception of Dato' Abd. Gani bin Yusof, Dr Ng Tek Che, Liew Chiap Hong and Edmund Chuah who are Interested Directors and deemed interested in the Proposals), having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the MGB Group and accordingly, recommend that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming AGM.

8. AGM

The Seventh (7th) AGM of the Company will be held at Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 June 2009 at 10.00 a.m. for the purpose of considering and if thought fit, passing the resolutions pertaining to the Proposals. The Notice of AGM together with the Proxy Form, is enclosed in the Annual Report of the Company for the financial year ended 31 December 2009 which is despatched together with this Circular.

If you are unable to attend and vote in person at the AGM, kindly complete and return the Proxy Form in accordance with the instructions printed thereon as soon as possible, and in any event must be deposited at the Registered Office of the Company at No.4, 2nd Floor, Jalan 3/27F, Desa Setapak, Wangsa Maju 53300 Kuala Lumpur not later than forty-eight (48) hours before the time fixed for the AGM. The lodging of the Proxy Form shall not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

9. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I for further information.

Yours faithfully
For and on behalf of the Board of Directors of
METRONIC GLOBAL BERHAD

Lim Tzeh Foong
Independent Non-Executive Director

FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of MGB and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no material facts, the omission of which would make any statement in this Circular misleading.

2. MATERIAL LITIGATION

Save as disclosed below, neither MGB nor its subsidiaries are presently engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the MGB Group or any fact likely to give rise to any proceedings which may materially affect the financial position or business of the MGB Group:

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

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

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

The Company's solicitors are of the opinion that the prospect of the claim to be successful is remote as CWorks failed to fulfill the terms of the contract.

- (ii) On 20 January 2009, the Company's wholly owned subsidiary, MESB as the second defendant, through its solicitors, was served a Writ of Summons by United U-Li (M) Sdn. Bhd ("UUSB") claiming for an amount of RM54,314 plus cost, being the amount owed by the first defendant Digital Star Sdn. Bhd ("DSSB") to UUSB. MESB is the guarantor for DSSB on approved purchases for a project up to only RM100,000. MESB had since filed a defence on the case. The exposure to MESB is the claim amount of RM54,314 plus interest. The guarantee is effective from 10 April 2002 and expired on 7 July 2003 whereas the claim operates in year 2004. The suit was heard and claim dismissed on 17 May 2010.

- (iii) On 24 October 2008, MESB received a Writ of Summons issued by Titi Maju Sdn Bhd ("TMSB") claiming an amount of RM267,202 plus interest and cost. Payment to TMSB is subject to a back-to-back arrangement, whereby payment be made upon receipts from the Main contractor, MH Projects Sdn. Bhd. ("MHP"). MHP has not paid MESB. On 21 July 2009, TMSB proceeded for a Summary Judgment in the High Court of Kuala Lumpur. MESB had filed defence and a 3rd party proceedings was initiated against MHP. The matter was fixed for Case Management on 17 May 2010 pending hearing of Summary Judgment application, and further Case Management was to be held on 2 July 2010. The amount claimed of RM267,202 has already been accrued for in the financial statements and no further provision is required at the date of this Circular. The Company's solicitors are of the opinion that that the prospects are good to defeat the claim.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiaries within two (2) years immediately preceding the date of this Circular:

- (i) On 20 June 2008, MGB entered into a Supplementary Agreement with Goldis Berhad to vary the terms of the Shares Sale Agreement dated 30 January 2008 in which the Bank Guarantee shall be replaced by post dated cheques for the balance of the purchase price.
- (ii) On 3 September 2008, the Company signed a Joint Venture cum Shareholders' Agreement with Jiang Xiaoli ("Jiang") to co-operate and collaborate on the development and commercialisation of the Optical Fiber Perimeter Security System via a joint venture company known as Ideal Ultimate Sdn Bhd ("IUSB") which was incorporated on 1 July 2008. Both parties agreed that the issued and paid-up share capital of IUSB shall be increased up to RM600,000 comprising 600,000 ordinary shares of RM1 each. The Company shall hold 348,000 ordinary shares, representing 58% of the issued and paid-up share capital of IUSB.
- (iii) On 2 February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement with Lai'An County Water Utility Board, Anhui Province in the People's Republic of China ("PRC") for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the PRC via a wholly owned foreign subsidiary known as Anhui Lai'An Metronic Water Supply Company Limited ("ALMWS"). The proposed registered capital for ALMWS is US\$3.35 million (equivalent to RM12 million at an average exchange rate of US\$1 equals to RM3.60).
- (iv) On 6 March 2009, the Company entered into a Conditional Share Sale Agreement ("SSA") with Global Soft (MSC) Bhd (now known as Ariantec Global Berhad) ("AGB") for the disposal of 1,000,000 ordinary shares of RM1.00 each representing 25.27% equity interest in Ariantec Sdn Bhd ("Ariantec"), an associate of MGB, to be fully satisfied via the issuance of 96,657,750 new ordinary shares of RM0.10 each in AGB. Based on the issue price of RM0.10 per AGB share, the indicative disposal consideration was RM9,665,775. The disposal is subject to the conditions precedents set out in the SSA being fulfilled and complied with.

The disposal was completed on 26 November 2009 and Ariantec ceased to be an associate of the Company. The final disposal consideration was RM8,666,197 based on the market price of AGB share at RM0.09 per share on the completion day. The Company became one of the substantial shareholders in AGB, holding approximately 16.99% equity interest in AGB effective from 26 November 2009.
- (v) On 20 August 2009, the Company entered into a Share Sale Agreement with Dominica Avril Miji ("Avril") for the disposal of 120,000 ordinary shares of RM1 each, representing 60% equity interest in Adprima Sdn Bhd, for a total cash consideration of RM81,800. The disposal was completed on 25 August 2009.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of MGB at No.4, 2nd Floor, Jalan 3/27F, Desa Setapak, Wangsa Maju 53300 Kuala Lumpur during normal business hours from the date of this Circular to the date of the Seventh AGM of the Company:

- (a) Memorandum and Articles of Association of MGB;
- (b) The audited consolidated financial statements of MGB for the two (2) financial years ended 31 December 2008 and 2009;
- (c) The relevant cause papers in respect of the material litigations referred to in Section 2 above;
and
- (d) The material contracts referred to in Section 3 above.



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

EXTRACT OF NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Metronic Global Berhad will be held at Metronic Global Berhad Office, No. 2, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 30 June 2010 at 10.00 a.m. for the purpose of considering, and if thought fit, passing the following resolutions:

ORDINARY RESOLUTION 7

“Proposed Renewal of Existing Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Shareholders’ Mandate”)

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

- (i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the shareholders’ mandate during the financial year and in the Annual Reports for subsequent financial years during which the shareholders’ mandate is in force based on the type of the recurrent transactions, the names of the related parties involved in each type of the recurrent transaction and their relationship with the Company;

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

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless authority is renewed by a resolution passed at the next Annual General Meeting.
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965), or
- (iii) revoked or varied by resolution passed by shareholders of the company in general meeting.

whichever is the earliest;

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

AND THAT, the estimates given on the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.4 of the Circular.”