

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

Directors' Report and Audited Financial Statements
31 December 2009

Ernst & Young
AF : 0039

632068-V

**Metronic Global Berhad
(Incorporated in Malaysia)**

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Directors' report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; supply of engineering systems and engineering equipment; and provision of online administration services for the healthcare sector.

During the financial year, the Company acquired a new subsidiary, namely IPanel Malaysia Sdn. Bhd., and incorporated a new wholly owned foreign subsidiary, namely, Anhui Lai'An Metronic Water Supply Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed above.

Results

	Group RM	Company RM
(Loss)/profit for the year	<u>(1,538,560)</u>	<u>1,956,911</u>
Equity holders of the Company	(2,085,998)	1,956,911
Minority interests	547,438	-
	<u>(1,538,560)</u>	<u>1,956,911</u>

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

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Results (cont'd.)

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

Dividends

There were no dividends paid by the Company since 31 December 2008.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2009.

Directors

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

Tan Sri Dato' Kamaruzzaman bin Shariff
Dato' Abd. Gani bin Yusof
Datuk Subhi bin Hj Dziauddin
Dr Ng Tek Che
Liew Chiap Hong
Lim Tzeh Foong
Amirudin bin Mohd Baria
Edmund Chuah Choong Eng Huat

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee as shown in Note 9(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest required to be disclosed by Section 169 (8) of the Companies Act, 1965, other than as disclosed in Note 33 to the financial statements.

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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 31.12.2009
	As at 1.1.2009	Bought During the year	Sold	
Direct Interest:				
Dato' Abd. Gani bin Yusof	166,767,324	-	-	166,767,324
Dr Ng Tek Che	59,189,175	-	-	59,189,175
Liew Chiap Hong	47,903,459	-	(7,000,000)	40,903,459
Tan Sri Dato' Kamaruzzaman bin Shariff				
	3,714,285	-	-	3,714,285
Edmund Chuah Choong Eng Huat	185,714	-	-	185,714
Indirect Interest:				
Dato' Abd. Gani bin Yusof	1,034	-	-	1,034
Dr Ng Tek Che	1,034	-	-	1,034
Liew Chiap Hong	1,034	-	-	1,034
Edmund Chuah Choong Eng Huat	558,999	-	(428,972)	130,027

By virtue of their interests in the shares of the Company, the directors 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 in office at 31 December 2009 had any interest in the ordinary shares in the Company or its related corporations during the financial year.

Other information statutory

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provisions for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent 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.

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- (g) The Board of Directors would like to draw attention to Note 23(A) to the financial statements. Included in Trade Receivables of the Group as at 31 December 2009 were long outstanding receivables due from a related party and certain group of debtors totalling RM48,969,751 (2008: RM39,124,152). Included in the debtors' balances are also the retention sums on contracts of RM11,079,919 which is due upon the expiry of warranty period during the year. The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired during the year and that there are no further defects to be made good. The Group has also obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payments from the relevant authorities. The Board of Directors has assessed the carrying value of these receivables and based on the current available information, is of the opinion that no provision for doubtful debts is required as at 31 December 2009.

Subsequent event

Subsequent event is disclosed in Note 36 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2010.

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan

**Metronic Global Berhad
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**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 94 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 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 dated 29 April 2010.

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan

**Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965**

I, Dr Ng Tek Che, being the director primarily responsible for the financial management of Metronic Global Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 94 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 29 April 2010

Dr Ng Tek Che

Before me,

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**Independent auditors' report to the members of
Metronic Global Berhad
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Report on the financial statements

We have audited the financial statements of Metronic Global Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 94.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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**Independent auditors' report to the members of
Metronic Global Berhad (cont'd.)
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Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2009 and of their financial performances and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 23(A) to the financial statements which describes the long outstanding receivables due from a related party and certain group of debtors totalling RM48,969,751 as at 31 December 2009. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and for those subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

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**Independent auditors' report to the members of
Metronic Global Berhad (cont'd.)
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Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
29 April 2010

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

Income statements
For the year ended 31 December 2009

	Note	Group		Company	
		2009	2008	2009	2008
		RM	RM	RM	RM
Revenue	5	59,512,692	51,661,975	2,681,242	-
Cost of sales	6	(41,408,918)	(39,451,796)	-	-
Gross profit		18,103,774	12,210,179	2,681,242	-
Other income	7	4,025,746	540,610	4,093,113	40,086
Administration expenses		(4,288,725)	(4,361,040)	(727,258)	(693,419)
Other operating expenses		(16,438,033)	(18,245,164)	(4,090,186)	(4,817,727)
Profit/(loss) from operations		1,402,762	(9,855,415)	1,956,911	(5,471,060)
Finance costs	8	(549,350)	(702,761)	-	-
Share of (loss)/profit of associates		(1,768,599)	2,591,693	-	-
(Loss)/profit before taxation	9	(915,187)	(7,966,483)	1,956,911	(5,471,060)
Income tax expense	10	(623,373)	656,572	-	-
(Loss)/profit for the year		(1,538,560)	(7,309,911)	1,956,911	(5,471,060)
Attributable to:					
Equity holders of the Company		(2,085,998)	(7,260,285)	1,956,911	(5,471,060)
Minority interests		547,438	(49,626)	-	-
		(1,538,560)	(7,309,911)	1,956,911	(5,471,060)
Earnings per share (sen):					
Basic (loss)	11	(0.33)	(1.14)		
Diluted (loss)	11	(0.33)	(1.14)		

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

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Balance sheets as at 31 December 2009

	Note	Group		Company	
		2009	2008	2009	2008
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	13	10,903,771	10,960,540	-	-
Investment properties	14	383,949	389,216	-	-
Intangible assets	15	2,037,560	2,893,809	-	-
Prepaid lease payment	16	499,017	-	-	-
Investment in subsidiaries	17	-	-	26,169,235	24,520,900
Investment in associates	18	17,086,078	27,924,116	15,668,416	21,514,409
Investment in jointly controlled entity	19	-	-	220,850	220,850
Other investments	20	9,197,401	409,482	8,699,198	-
Deferred tax assets	21	2,854,937	2,435,376	-	-
		<u>42,962,713</u>	<u>45,012,539</u>	<u>50,757,699</u>	<u>46,256,159</u>
Current assets					
Inventories	22	1,452,448	2,112,637	-	-
Trade receivables	23	90,519,038	86,211,184	-	-
Other receivables	23	1,509,468	3,350,325	14,994,799	19,477,677
Short term deposits	25	8,805,586	8,173,491	1,726,483	1,103,083
Cash and bank balances	26	7,216,058	2,791,213	111,459	199,445
		<u>109,502,598</u>	<u>102,638,850</u>	<u>16,832,741</u>	<u>20,780,205</u>
Total assets		<u>152,465,311</u>	<u>147,651,389</u>	<u>67,590,440</u>	<u>67,036,364</u>

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Balance sheets as at 31 December 2009 (cont'd.)

	Note	Group		Company	
		2009	2008	2009	2008
		RM	RM	RM	RM
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	27	63,490,690	63,490,690	63,490,690	63,490,690
Foreign currency translation reserve	28	1,602,959	1,879,609	-	-
Retained profits/ (accumulated loss)	29	7,746,581	9,832,579	992,115	(964,796)
		<u>72,840,230</u>	<u>75,202,878</u>	<u>64,482,805</u>	<u>62,525,894</u>
Minority interests		<u>1,223,081</u>	<u>727,691</u>	<u>-</u>	<u>-</u>
Total equity		<u>74,063,311</u>	<u>75,930,569</u>	<u>64,482,805</u>	<u>62,525,894</u>
Non-current liabilities					
Hire purchase payables	30	54,446	66,345	-	-
		<u>54,446</u>	<u>66,345</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	31	52,270,739	45,374,457	-	-
Other payables	31	14,782,814	13,549,841	3,107,635	4,510,470
Bank borrowings	32	10,700,201	12,610,782	-	-
Provision for taxation		593,800	119,395	-	-
		<u>78,347,554</u>	<u>71,654,475</u>	<u>3,107,635</u>	<u>4,510,470</u>
Total liabilities		<u>78,402,000</u>	<u>71,720,820</u>	<u>3,107,635</u>	<u>4,510,470</u>
Total equity and liabilities		<u>152,465,311</u>	<u>147,651,389</u>	<u>67,590,440</u>	<u>67,036,364</u>

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

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**Statements of changes in equity
For the year ended 31 December 2009**

Group	Attributable to equity holders of the parent					Total equity RM
	Share capital RM	Foreign currency translation reserve RM	Retained profits RM	Distributable reserve Total RM	Minority interests RM	
At 1 January 2008	63,490,690	143,993	17,092,864	80,727,547	820,375	81,547,922
Currency translation differences	-	1,735,616	-	1,735,616	19	1,735,635
Acquisition and subscription of shares in subsidiaries by minority shareholders	-	-	-	-	1,093	1,093
Disposal of a subsidiary (Note 19)	-	-	-	-	(44,170)	(44,170)
Net loss for the year	-	-	(7,260,285)	(7,260,285)	(49,626)	(7,309,911)
At 31 December 2008	63,490,690	1,879,609	9,832,579	75,202,878	727,691	75,930,569
At 1 January 2009	63,490,690	1,879,609	9,832,579	75,202,878	727,691	75,930,569
Currency translation differences	-	(276,650)	-	(276,650)	-	(276,650)
Disposal of a subsidiary (Note 17(c))	-	-	-	-	(52,048)	(52,048)
Net (loss)/profit for the year	-	-	(2,085,998)	(2,085,998)	547,438	(1,538,560)
At 31 December 2009	63,490,690	1,602,959	7,746,581	72,840,230	1,223,081	74,063,311

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

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Statements of changes in equity
For the year ended 31 December 2009 (cont'd.)

	Share capital RM	Distributable reserve (Accumulated loss)/ retained profits RM	Total Equity RM
Company			
At 1 January 2008	63,490,690	4,506,264	67,996,954
Net loss for the year	-	(5,471,060)	(5,471,060)
At 31 December 2008	<u>63,490,690</u>	<u>(964,796)</u>	<u>62,525,894</u>
At 1 January 2009	63,490,690	(964,796)	62,525,894
Net profit for the year	-	1,956,911	1,956,911
At 31 December 2009	<u>63,490,690</u>	<u>992,115</u>	<u>64,482,805</u>

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

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Cash flow statements
For the year ended 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/profit before taxation	(915,187)	(7,966,483)	1,956,911	(5,471,060)
Adjustments for:				
Gain on disposal of property, plant and equipment (Note 9(a))	(52,182)	(347)	-	-
Gain on disposal of quoted securities (Note 9(a))	-	(94,748)	-	-
(Gain)/loss on disposal of a subsidiary (Note 9(a))	(3,729)	-	80,700	-
Gain on disposal of an associate (Note 9(a))	(2,473,868)	-	(2,853,205)	-
Unrealised foreign exchange losses/ (gains) (Note 9(a))	76,401	(415,594)	-	10,650
Depreciation of property, plant and equipment (Note 9(a))	558,524	614,075	-	-
Write-off of property, plant and equipment	200	-	-	-
Depreciation of investment properties (Note 9(a))	5,267	5,267	-	-
Amortisation of intangible assets (Note 9(a))	938,709	975,658	-	-
Amortisation of prepaid lease payment (Note 9(a))	13,277	-	-	-
Write-off of intangible assets (Note 9(a))	1,057,453	254,975	-	-
Provision for doubtful debts (Note 9(a))	1,699,321	3,811,172	-	-
Write back of provision for doubtful debts (Note 9(a))	-	(568,809)	-	-

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Cash flow statements
For the year ended 31 December 2009 (cont'd.)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from operating activities (cont'd.)				
Bad debt written off	-	-	140,568	-
(Reversal of impairment loss)/ Impairment loss on quoted securities (Note 9(a))	(88,721)	230,002	-	-
Impairment loss on other investment (Note 9(a))	144,897	-	144,897	-
Impairment loss of investment in subsidiaries (Note 9(a))	-	-	2,180,176	4,751,375
Provision for defect liabilities (Note 9(a))	956,617	973,689	-	-
Write-down of inventories (Note 9(a))	294,343	2,204,626	-	-
Share of loss/(profit) of associates	1,768,599	(2,591,693)	-	-
Finance costs (Note 8)	549,350	702,761	-	-
Interest income (Note 7)	(200,142)	(296,922)	(39,908)	(40,086)
Operating profit/(loss) before working capital changes	4,329,129	(2,162,371)	1,610,139	(749,121)
Changes in working capital:				
Inventories	364,318	87,645	-	-
Receivables	(4,859,095)	8,019,854	4,342,311	1,186,794
Payables	9,824,815	(6,908,872)	(1,402,835)	(359,800)
Net cash generated from/ (used in) operations	9,659,167	(963,744)	4,549,615	77,873
Taxes refunded/(paid)	102,642	(582,941)	-	-
Interests paid	(549,350)	(702,761)	-	-
Interests received	200,142	296,922	39,908	40,086
Net cash generated from/ (used in) operating activities	9,412,601	(1,952,524)	4,589,523	117,959

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Cash flow statements
For the year ended 31 December 2009 (cont'd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note 17 ((a)(i) and (ii)/ Note 17(b)(i))	(1,055,103)	-	(3,341,708)	(58)
Disposal of a subsidiary, net of cash disposed (Note 17(c))	(53,837)	-	81,800	-
Subscription of additional shares in subsidiaries (Notes 17(a)(iii) and (iv)/ Note 17(b)(ii) and (iii))	-	-	(649,304)	(202,537)
Subscription of shares in subsidiaries by minority shareholders	-	1,093	-	-
Purchase of other investment (Note 20)	(144,897)	-	(144,897)	-
Purchase of property, plant and equipment (Note 13)	(566,761)	(266,001)	-	-
Purchase of intangible assets (Note 15)	(82,460)	(413,500)	-	-
Prepaid lease payment (Note 16)	(511,945)	-	-	-
Proceeds from disposal of property, plant and equipment	54,539	8,043	-	-

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Cash flow statements
For the year ended 31 December 2009 (cont'd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cash flows from investing activities (cont'd.)				
Proceeds from disposal of marketable securities	-	129,748	-	-
Net cash used in investing activities	<u>(2,360,464)</u>	<u>(540,617)</u>	<u>(4,054,109)</u>	<u>(202,595)</u>
Cash flows from financing activities				
Withdrawal/(placement) of fixed deposits under lien with licensed banks	596,595	(802,934)	(623,400)	(39,354)
Repayment of bankers' acceptances	(12,639,991)	(16,810,594)	-	-
Drawdown of bankers' acceptances	14,779,982	15,866,507	-	-
Drawdown of short term loans	-	6,550,771	-	-
Repayment of short term loans	(5,929,020)	(621,752)	-	-
Repayment of hire purchase payables	(11,899)	(17,455)	-	-
Net cash (used in)/ generated from financing activities	<u>(3,204,333)</u>	<u>4,164,543</u>	<u>(623,400)</u>	<u>(39,354)</u>
Net increase/(decrease) in cash and cash equivalents				
	3,847,804	1,671,402	(87,986)	(123,990)
Effects of foreign exchange rate changes	(72,717)	(134,329)	-	-
Cash and cash equivalents at beginning of the year	<u>931,543</u>	<u>(605,530)</u>	<u>199,445</u>	<u>323,435</u>
Cash and cash equivalents at end of the year (Note 26)	<u>4,706,630</u>	<u>931,543</u>	<u>111,459</u>	<u>199,445</u>

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Cash flow statements
For the year ended 31 December 2009 (cont'd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	7,216,058	2,791,213	111,459	199,445
Fixed deposits with licensed banks	1,228,690	-	-	-
Bank overdraft (Note 32)	(3,738,118)	(1,859,670)	-	-
	<u>4,706,630</u>	<u>931,543</u>	<u>111,459</u>	<u>199,445</u>

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

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Notes to the financial statements - 31 December 2009

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at No.4, 2nd floor, Jalan 3/27F, Desa Setapak, Wangsa Maju 53300 Kuala Lumpur. The principal place of business is located at No.2, Jalan Astaka U8/83, Section U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are procurement of contracts and system integration specialising in the field of intelligent building management system and integrated security management system; e-project management of mechanical and electrical services; supply of engineering systems and engineering equipment; and provision of online administration services for the healthcare sector.

During the financial year, the Company acquired a new subsidiary, namely IPanel (M) Sdn. Bhd., and incorporated a new wholly owned foreign subsidiary, namely, Anhui Lai'An Metronic Water Supply Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed above.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2010.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

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

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial year.

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

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are those entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealised gains and losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of acquisition to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit and loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investment in associates are stated at cost less impairment losses. On disposal of such investment, the

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the line-by-line reporting format for the proportionate consolidation by referring to the last audited financial statements available and management financial statements.

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but it is reviewed for impairment annually or more frequently whenever there is an indication that the carrying value may be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

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

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

(iii) Research and development costs

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

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

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Intangible assets (cont'd.)

(iii) Research and development costs (cont'd.)

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

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

(e) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h).

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Property, plant and equipment and depreciation (cont'd.)

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

Freehold land is not depreciated.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

(f) Inventories

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

(g) Engineering contracts

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

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

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Engineering contracts (cont'd.)

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 classified as amount due to customers on contracts.

(h) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its assets other than engineering contract assets, inventories and deferred tax 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.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. Significant accounting policies (cont'd.)**2.2 Summary of significant accounting policies (cont'd.)****(h) Impairment of non-financial assets (cont'd.)**

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

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase in the asset revaluation reserve.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) 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. 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 as income or an expense and included in profit or loss for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operations as appropriate.

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

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the period, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(k) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(k) Leases (cont'd.)

(i) Classification (cont'd.)

- Property held under operating leases that would not otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(p)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group as lessee

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. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss 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 2.2(e).

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(k) Leases (cont'd.)

(iii) Operating leases - the Group as lessee

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(l) Provisions

Provisions 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.

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

(m) 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.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(m) Employee benefits (cont'd.)

(ii) Defined contribution plans

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

(iii) Termination benefits

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

(n) 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 2.2(g).

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(n) Revenue recognition (cont'd.)

(ii) Maintenance and services

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

(iii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iv) Administration and consultancy services

Revenue from administration and consultancy services are recognised when services are rendered.

Revenue arising from third party administration services charged to insurance companies and corporate clients are billed annually or quarterly in advance based on membership at the time of renewal. Amounts billed in advance at each balance sheet date are carried forward to future periods as deferred revenue and recognised as revenue in the period to which the services provided relate.

(v) Dividend income

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

(vi) Interest income

Interest income is recognised on an accrued basis using the effective yield on the effective interest method.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(o) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. 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.

(i) 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.

(ii) Other non-current investments

Non-current investments other than investment in subsidiaries and investment properties are stated at cost less impairment losses.

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

(iii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(o) Financial instruments (cont'd.)

(iv) 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.

(v) 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.

(vi) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vii) 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.

(p) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h). Freehold buildings are depreciated at a rate of 2% per annum. Freehold land has an unlimited useful life and therefore is not depreciated.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Investment properties (cont'd.)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is to be carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit and loss in the year in which they arise.

3. New financial reporting standards (FRSs), amendments to published standards and interpretations

At the date of authorisation of the financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective and have not been applied by the Group and the Company are as follows:

	Effective for financial periods beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (revised)	1 July 2010
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 101: Presentation of Financial Statements (revised)	1 January 2010
FRS 123: Borrowing Costs	1 January 2010
FRS 127: Consolidated and Separate Financial Statements (amended)	1 July 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations	1 January 2010

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3. New financial reporting standards (FRSs), amendments to published standards and interpretations (cont'd.)

	Effective for financial periods beginning on or after
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued operations	1 July 2010
Amendments to FRS 7: Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 8: Operating Segments	1 January 2010
Amendments to FRS 107: Cash Flow Statements	1 January 2010
Amendments to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110: Events After the Balance Sheet Date	1 January 2010
Amendments to FRS 116: Property, Plant and Equipment	1 January 2010
Amendments to FRS 118: Revenue	1 January 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134: Interim Financial Reporting	1 January 2010
Amendments to FRS 136: Impairment of Assets	1 January 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
TR I - 3: Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010/ 1 March 2010

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3. New financial reporting standards (FRSs), amendments to published standards and interpretations (cont'd.)

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period.

The new FRSs and Interpretations, and amendments to certain Standards and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for those described below:

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure

The new standard *FRS 139: Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirement for presenting information about the financial instruments are in *FRS 132: Financial Instruments: Presentation* and the requirements for disclosing information about financial instruments are in *FRS 7: Financial Instruments: Disclosures*.

FRS 7: Financial Instruments: Disclosures is a new standard that requires new disclosures in relation to financial instruments. The standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and the Company's exposure to risks, enhanced disclosure regarding components of the Group's and the Company's financial position and performance and possible changes to the the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and Company are exempted from disclosing the possible impact to the financial statements upon the initial *FRS 3: Business Combinations (revised)* and *FRS 127: Consolidated and Separate Financial Statements (amended)*

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

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3. New financial reporting standards (FRSs), amendments to published standards and interpretations (cont'd.)

FRS 3: *Business Combinations (revised)* and FRS 127: *Consolidated and Separate Financial Statements (amended)* (Contd.)

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

FRS 8: *Operating Segments*

FRS 8 replaces FRS 114₂₀₀₄: *Segment Reporting* and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

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

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

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4. Significant accounting estimates and judgements

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

There are no judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

(i) Engineering contracts

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

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

A 10% difference in the estimated total engineering contracts revenue would result in approximately 7% variance in the Group's revenue. A 10% difference in the estimated total engineering contracts would result in approximately 8% variance in the Group's cost of sales.

(ii) Impairment of development costs

During the current financial year, the Group carried out impairment tests in respect of its development costs included within intangible assets, based on a variety of estimations including the value-in-use of the CGU to which the development costs are allocated. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of development costs of the Group as at 31 December 2009 is RM1,523,937 (2008: RM2,242,395).

If management's estimated gross margin had been lower by 10%, the development costs would continue to be unimpaired. If management's estimated pre-tax discount rate applied to the discounted cash-flows had been raised by 1%, the development costs would continue to be unimpaired.

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4. Significant accounting estimates and judgements (cont'd.)

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

(iii) Provisions for bad and doubtful debts

In arriving at an estimate for provision for bad and doubtful debts, management has considered certain outstanding receivables aged over the normal credit period given to customers.

A related party and other trade debtors

The outstanding debts from a related party, as disclosed in Note 23 (A)(i), amounting to RM46,855,069 (2008: RM37,559,119), is over the normal credit period given to customers. Included in this RM46,855,069 is the retention amount of RM10,530,270 (2008: RMNil) which is due upon the expiry of the warranty period during the year. These debts are due for sub contract work completed for the related party who is the main contractor on certain federal public sector projects for the Government of Malaysia.

There are also balances due from certain group of debtors of RM2,114,682 (2008: RM1,565,033) which relate to work performed by the Group on a number of the above-mentioned projects, as disclosed in Note 23 (A)(ii). Included in this RM2,114,682 is the retention amount of RM549,649 (2008: RMNil) which is due upon the expiry of the warranty period during the year.

The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Board of Directors has considered that these amounts are recoverable as the Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired during the year and that there are no further defects to be made good. The Group has also obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payment from the relevant authorities. The Board of Directors has assessed the carrying value of these receivables and based on the current available information, is of the opinion that no provision for doubtful debts is required as at 31 December 2009.

Retention amounts and trade receivables

In respect of certain projects where the Group has performed works as sub-contractors, management considered the retention sums and certain trade receivables amounting to RM294,312 (2008: RM984,924) that exceeded the normal project's defect liability period recoverable as the main contractors will only issue final certificates and release the retention sums after all other sub-contractors involved in the projects resolve all the construction defects.

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

4. Significant accounting estimates and judgements (cont'd)

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

(iv) Deferred tax assets

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

(v) Impairment of investment in associates

The Group determines whether the carrying amounts of investment in associates are impaired at balance sheet date. This involves measuring the recoverable amounts which requires management to make an estimate of the expected future cash flows of the associates and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The cash flow projections reflect management's expectation of revenue growth, margins and operating costs for each associate based on past experience. The growth rates of 5% to 12% have been used to forecast the projected cash flows. The rates have been determined with regards to projected growth rates for the respective markets in which the associates are operating in. Discount rate of 7% has been applied to the respective cash flow projections.

The management's assessments have provided reasonable assumptions that the carrying amounts of investment in associates at the balance sheet date are not impaired. Based on these assessments, the Directors are of the opinion that no impairment loss is required.

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

The management of the Company determines whether the carrying amounts of its investments in unquoted shares outside Malaysia are impaired at balance sheet date. This involves measuring the recoverable amounts which include fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flow analysis and estimates that provide reasonable approximations to the computation of recoverable amounts.

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4. Significant accounting estimates and judgements (cont'd.)

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

(vi) Impairment assessment of investment in subsidiaries, outside Malaysia (cont'd.)

The cash flow projections reflect, amongst others, management's expectation of revenue, margins and operating costs for each subsidiary. A discount rate of 7% was applied to the respective cashflow projections. The revenue used in the projected cash flows for the respective investment in subsidiaries are based on the management's assessment of the expected performance of the subsidiaries taking into considerations the projects in hand and projects the subsidiaries are currently pursuing.

Based on the management's assessment, the Company has recognised an impairment loss on investment in subsidiaries amounting to RM2,180,176 for the current financial year.

(vii) Depreciation and residual values of property, plant and equipment

The cost of renovations, motor vehicles and furniture, fittings and equipment are depreciated on a straight line basis over the respective assets' useful lives. Management estimates the useful lives of these assets to be within 3 to 25 years. These reflect the historical and expected economic lives of the Group's assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. Revenue

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Contract work	42,181,482	38,771,061	-	-
Maintenance services	9,520,274	8,205,861	-	-
Sale of equipment	2,084,410	2,122,621	-	-
Administration and consultancy services	5,726,526	2,562,432	-	-
Dividend income from an associate	-	-	2,681,242	-
	<u>59,512,692</u>	<u>51,661,975</u>	<u>2,681,242</u>	<u>-</u>

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6. Cost of sales

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Contract costs (Note 24)	35,998,295	35,605,631	-	-
Maintenance services	3,665,667	2,589,398	-	-
Cost of equipment sold	1,744,956	1,256,767	-	-
	<u>41,408,918</u>	<u>39,451,796</u>	<u>-</u>	<u>-</u>

7. Other income

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Interest income	200,142	296,922	39,908	40,086
Gain on disposal of property, plant and equipment	52,182	347	-	-
Gain on disposal of quoted securities	-	94,748	-	-
Gain on disposal of an associate	2,473,868	-	2,853,205	-
Recovery of provision for doubtful debts	1,017,749	-	-	-
Management fee	-	-	1,200,000	-
Rental income	24,000	24,000	-	-
Interest from overdue debtors	249,184	111,969	-	-
Processing fee	4,202	4,904	-	-
Miscellaneous	4,419	7,720	-	-
	<u>4,025,746</u>	<u>540,610</u>	<u>4,093,113</u>	<u>40,086</u>

8. Finance costs

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Interest expense on:				
Short term borrowing	156,548	165,376	-	-
Bank overdraft	184,090	165,972	-	-
Bankers' acceptances	204,701	366,906	-	-
Hire purchase	4,011	4,507	-	-
Total interest expense	<u>549,350</u>	<u>702,761</u>	<u>-</u>	<u>-</u>

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9. (Loss)/profit before taxation

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(a) After charging/(crediting):				
Staff costs (Note 9(c))	11,515,528	10,374,550	746,841	-
Auditors' remuneration				
Statutory audits:				
- parent auditors	160,000	151,000	68,000	58,000
- other auditors	79,532	80,545	-	-
- under provision in prior year	26,666	27,400	10,000	10,000
Depreciation of property, plant and equipment (Note 13)	558,524	614,075	-	-
Amortisation of intangible assets (Note 15)	938,709	975,658	-	-
Write-off of intangible assets (Note 15)	1,057,453	254,975	-	-
Amortisation of prepaid lease payment (Note 16)	13,277	-	-	-
Directors' remunerations (Note 9(b))	1,126,451	1,155,585	811,004	110,000
Rental income	(24,000)	(24,000)	-	-
Rental expense	451,310	487,294	12,000	12,000
Foreign exchange losses/(gains)				
- realised	88,821	565,096	-	12,449
- unrealised	76,401	(415,594)	-	10,650

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9. (Loss)/profit before taxation (cont'd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(a) After charging/(crediting)				
(cont'd.):				
Provision for doubtful debts	1,699,321	3,811,172	-	-
(Reversal of impairment loss)/impairment loss on quoted securities (Note 20)	(88,721)	230,002	-	-
Impairment loss on other investment (Note 20)	144,897	-	144,897	-
Depreciation of investment properties (Note 14)	5,267	5,267	-	-
Provision for defect liabilities (Note 24)	956,617	973,689	-	-
Impairment loss of investment in subsidiaries (Note 17)	-	-	2,180,176	4,751,375
Write-down of inventories	294,343	2,204,626	-	-
Interest income				
- short term deposits	(196,142)	(290,547)	(39,908)	(40,086)
- loan stocks	(4,000)	(6,375)	-	-
Gain on disposal of quoted securities	-	(94,748)	-	-
Gain on disposal of property, plant and equipment	(52,182)	(347)	-	-
(Gain)/loss on disposal of a subsidiary (Note 17(c))	(3,729)	-	80,700	-
Gain on disposal of an associate (Note 18(b))	(2,473,868)	-	(2,853,205)	-
Bad debts written off	-	-	140,568	-
Recovery of provision for doubtful debts	(1,017,749)	-	-	-
Write back of provision for doubtful debts	-	(568,809)	-	-

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9. (Loss)/profit before taxation (cont'd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(b) Directors' remuneration:				
(i) Executive directors' remuneration:				
Fees	50,548	191,562	36,000	36,000
Defined contribution benefit	73,584	83,328	73,584	-
Other emoluments	930,319	806,695	629,420	-
	<u>1,054,451</u>	<u>1,081,585</u>	<u>739,004</u>	<u>36,000</u>
Non-executive directors' remuneration:				
Fees	<u>72,000</u>	<u>74,000</u>	<u>72,000</u>	<u>74,000</u>
Total directors' remuneration	<u>1,126,451</u>	<u>1,155,585</u>	<u>811,004</u>	<u>110,000</u>

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(ii) Directors of the Company				
Executive:				
Defined contribution benefit	73,584	73,584	73,584	-
Other emoluments	629,420	629,420	629,420	-
Fees	36,000	36,000	36,000	36,000
	<u>739,004</u>	<u>739,004</u>	<u>739,004</u>	<u>36,000</u>
Non-Executive:				
Fees	<u>72,000</u>	<u>74,000</u>	<u>72,000</u>	<u>74,000</u>
Total	<u>811,004</u>	<u>813,004</u>	<u>811,004</u>	<u>110,000</u>

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9. (Loss)/profit before taxation (cont'd.)

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

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

	Number of Directors	
	2009	2008
Executive directors:		
Below RM50,000	1	1
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	1	1
RM250,001 - RM300,000	1	1
Non-Executive directors:		
Below RM50,000	<u>3</u>	<u>4</u>

(c) Employee information

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Staff costs (excluding directors' emoluments):				
Salary, wages and bonus	9,309,005	8,159,081	616,481	-
Defined contribution benefit	1,044,850	1,035,742	68,765	-
Other staff related expenses	<u>1,161,673</u>	<u>1,179,727</u>	<u>61,595</u>	-
	<u>11,515,528</u>	<u>10,374,550</u>	<u>746,841</u>	-

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10. Income tax expense

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Malaysian taxation based on the results for the year:				
- Current	1,133,800	108,000	-	-
- (Over)/under provision in prior years	(69,606)	10,375	-	-
Deferred tax (Note 21)				
- Relating to origination and reversal of temporary differences	(470,370)	(782,935)	-	-
- Under/(over) provision in prior year	29,549	(9,722)	-	-
- Relating to changes in tax rates	-	17,710	-	-
	<u>623,373</u>	<u>(656,572)</u>	<u>-</u>	<u>-</u>

A reconciliation of income tax applicable to (loss)/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	
	2009	2008	2009	2008
	RM	RM	RM	RM
(Loss)/profit before taxation	<u>(915,187)</u>	<u>(7,966,483)</u>	<u>1,956,911</u>	<u>(5,471,060)</u>
Taxation at the statutory tax rate of 25% (2008: 26%)	(228,797)	(2,071,286)	489,228	(1,422,476)
Effect of different tax rate in subsidiaries	73,376	142,313	-	-
Effect of expenses not deductible for tax purposes	1,265,689	1,947,941	874,336	1,422,666

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10. Income tax expense (cont'd.)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Utilisation of previously unrecognised tax losses	(122,845)	(67,357)	-	-
Utilisation of previously unrecognised unabsorbed capital allowances	-	(34,288)	-	-
Effects of share of loss/(profit) of associates	442,150	(673,840)	-	-
Effect of income not subject to tax	(1,012,245)	(24,824)	(1,363,564)	(190)
(Over)/under provision of tax expense in prior years	(69,606)	10,375	-	-
Under/(over) provision of deferred tax in prior year	29,549	(9,722)	-	-
Deferred tax assets not recognised	246,102	106,406	-	-
Effect of changes in tax rates on deferred tax	-	17,710	-	-
	<u>623,373</u>	<u>(656,572)</u>	<u>-</u>	<u>-</u>

11. Earnings per share

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

	2009	2008
Loss attributable to ordinary equity holders of the Company (RM)	(2,085,998)	(7,260,285)
Weighted average number of ordinary shares in issue	<u>634,906,903</u>	<u>634,906,903</u>
Basic/diluted loss per share (sen)	<u>(0.33)</u>	<u>(1.14)</u>

12. Dividends

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2009.

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13. Property, plant and equipment

Group	Freehold land RM	Freehold buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2009 RM
Cost							
At 1 January 2009	1,223,566	4,440,919	4,846,721	323,334	2,686,060	657,024	14,177,624
Additions	-	-	-	-	566,761	-	566,761
Disposals	-	-	-	(210,974)	(154,369)	-	(365,343)
Disposal of a subsidiary (Note 17)	-	-	-	(20,708)	(9,059)	-	(29,767)
Written-off	-	-	-	-	(480)	-	(480)
Reclassification	-	-	-	-	(14,499)	14,499	-
Exchange differences	-	-	(61,788)	-	2,541	(1,389)	(60,636)
At 31 December 2009	1,223,566	4,440,919	4,784,933	91,652	3,076,955	670,134	14,288,159
Accumulated depreciation and impairment							
At 1 January 2009	-	433,109	361,667	229,507	2,066,346	126,455	3,217,084
Depreciation charge for the year (Note 9(a))	-	92,065	98,284	38,502	295,868	33,805	558,524
Disposals	-	-	-	(210,968)	(152,018)	-	(362,986)
Disposal of a subsidiary (Note 17)	-	-	-	(15,458)	(4,709)	-	(20,167)
Written-off	-	-	-	-	(280)	-	(280)
Reclassification	-	-	-	-	(4,833)	4,833	-
Exchange differences	-	-	(7,196)	-	(405)	(186)	(7,787)
At 31 December 2009	-	525,174	452,755	41,583	2,199,969	164,907	3,384,388
Net carrying value							
As at 31 December 2009	1,223,566	3,915,745	4,332,178	50,069	876,986	505,227	10,903,771

The freehold land and buildings with a total net carrying value of RM5,139,311 (2008: RM5,231,376) are charged to licensed banks for banking facilities granted to the Group (Note 32 and Note 35).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM37,800 (2008 :RM83,906).

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13. Property, plant and equipment (cont'd.)

Group	Freehold land RM	Freehold buildings RM	Leasehold building RM	Motor vehicles RM	Furniture, fittings and equipment RM	Renovations RM	Total 2008 RM
Cost							
At 1 January 2008	1,223,566	4,440,919	4,297,643	323,334	2,573,374	642,817	13,501,653
Additions	-	-	27,549	-	238,452	-	266,001
Disposals	-	-	-	-	(124,539)	-	(124,539)
Exchange differences	-	-	521,529	-	(1,227)	14,207	534,509
At 31 December 2008	<u>1,223,566</u>	<u>4,440,919</u>	<u>4,846,721</u>	<u>323,334</u>	<u>2,686,060</u>	<u>657,024</u>	<u>14,177,624</u>
Accumulated depreciation and impairment							
At 1 January 2008	-	341,044	236,370	185,350	1,828,128	91,097	2,681,989
Depreciation charge for the year (Note 9(a))	-	92,065	90,866	44,157	353,690	33,297	614,075
Disposals	-	-	-	-	(116,843)	-	(116,843)
Exchange differences	-	-	34,431	-	1,371	2,061	37,863
At 31 December 2008	<u>-</u>	<u>433,109</u>	<u>361,667</u>	<u>229,507</u>	<u>2,066,346</u>	<u>126,455</u>	<u>3,217,084</u>
Net carrying value							
As at 31 December 2008	<u>1,223,566</u>	<u>4,007,810</u>	<u>4,485,054</u>	<u>93,827</u>	<u>619,714</u>	<u>530,569</u>	<u>10,960,540</u>

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14. Investment properties

Group	Freehold Land RM	Freehold Building RM	Leasehold Building RM	Total RM
Cost				
At 1 January 2009/ At 31 December 2009	245,909	179,644	362,979	788,532
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2009	95,909	35,644	267,763	399,316
Depreciation charge (Note 9(a))	-	3,000	2,267	5,267
At 31 December 2009	95,909	38,644	270,030	404,583
Net carrying value				
At 31 December 2009	150,000	141,000	92,949	383,949
Cost				
At 1 January 2008/ At 31 December 2008	245,909	179,644	362,979	788,532
Accumulated Depreciation and Accumulated Impairment Losses				
At 1 January 2008	95,909	32,644	265,496	394,049
Depreciation charge (Note 9(a))	-	3,000	2,267	5,267
At 31 December 2008	95,909	35,644	267,763	399,316
Net carrying value				
At 31 December 2008	150,000	144,000	95,216	389,216

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

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14. Investment properties (cont'd.)

The following investment properties are held under lease terms:

	Group	2008
	2009	RM
	RM	RM
Leasehold building	92,949	95,216

All investment properties are pledged as securities for borrowings (Note 32).

15. Intangible assets

Group	Development		Goodwill	Total
	Software	Cost		
	RM	RM	RM	RM
Cost				
At 1 January 2008	1,002,666	3,936,067	-	4,938,733
Additions				
- purchased	413,500	-	-	413,500
Write-off (Note 9(a))	-	(254,975)	-	(254,975)
At 31 December 2008 and 1 January 2009	1,416,166	3,681,092	-	5,097,258
Additions				
- purchased	64,700	17,760	-	82,460
- acquired subsidiary (Note 17(a))	-	-	1,057,453	1,057,453
Write off (Note 9(a))	-	-	(1,057,453)	(1,057,453)
At 31 December 2009	1,480,866	3,698,852	-	5,179,718
Accumulated Amortisation and Impairment				
At 1 January 2008	525,312	702,479	-	1,227,791
Amortisation and write-off (Note 9(a))	239,440	736,218	-	975,658
At 31 December 2008 and 1 January 2009	764,752	1,438,697	-	2,203,449
Amortisation (Note 9(a))	202,491	736,218	-	938,709
At 31 December 2009	967,243	2,174,915	-	3,142,158
Net carrying value				
As at 31 December 2009	513,623	1,523,937	-	2,037,560
As at 31 December 2008	651,414	2,242,395	-	2,893,809

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15. Intangible assets (cont'd.)

(a) Development Costs

The development costs relate to the development of Power Line Communication Controller for Smart Home Automation System, BACnet (Building Automation and Control Networks) Controller, and Micares e-Infrastructure System, where it is reasonably anticipated that the costs will be recovered through future commercial activity.

The recoverable amounts of these intangible assets are determined based on value-in-use calculations using cash flow projections approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	Group	
	2009	2008
	%	%
Budgeted gross margin	15.0 - 40.0	15.0 - 40.0
Growth rate	10.0 - 25.0	10.0 - 25.0
Discount rate	7.0	7.0

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

(ii) Growth rate

The growth rates are determined based on management's estimate of market demand.

(iii) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the respective companies.

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16. Prepaid lease payment

	Group	
	Leasehold	Total
	Land	RM
	RM	RM
Cost		
At 1 January 2009	-	-
Additions	511,945	511,945
At 31 December 2009	<u>511,945</u>	<u>511,945</u>
Accumulated		
Amortisation of		
prepaid lease payment		
At 1 January 2009	-	-
Amortisation charge (Note 9(a))	13,277	13,277
Foreign currency translation differences	(349)	(349)
At 31 December 2009	<u>12,928</u>	<u>12,928</u>
Net carrying value		
At 31 December 2009	<u>499,017</u>	<u>499,017</u>

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17. Investment in subsidiaries

	Company	
	2009	2008
	RM	RM
Unquoted shares, at cost		
In Malaysia,	23,954,596	23,021,993
Outside Malaysia	9,146,190	6,250,282
	<u>33,100,786</u>	<u>29,272,275</u>
Less: Accumulated impairment losses	(6,931,551)	(4,751,375)
	<u>26,169,235</u>	<u>24,520,900</u>

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Equity Interest held		Principal activities
		2009	2008	
		%	%	
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 engineering systems.
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*	People's Republic of China	100	100	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and telecommunication system.

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17. Investment in subsidiaries (cont'd.)

Name of Company	Country of incorporation	Equity Interest held		Principal activities
		2009 %	2008 %	
Metronic Engineering Private Limited*	India	70	70	Design, production and sale of engineering systems for the information and communication technology industry, specialising in intelligent building management system and integrated security management system.
Metronic iCares Sdn. Bhd.	Malaysia	51	51	Third Party Administrator ("TPA") and Managed Care Organisation ("MCO") for healthcare sector via the connectivity applications and infrastructure for the exchange of transactional information through internet.
Metronic Mobile Services Sdn. Bhd.	Malaysia	100	100	Dormant.
Metronic R&D Sdn. Bhd.	Malaysia	100	100	Research, development, production and marketing of building automation and security system products, modules and related parts.
Metronic Australia Private Ltd	Australia	60	60	Dormant.
Adprima Sdn. Bhd.	Malaysia	-	60	Consultancy services on management, engineering and information technology.

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17. Investment in subsidiaries (cont'd.)

Name of Company	Country of incorporation	Equity Interest held		Principal activities
		2009 %	2008 %	
Securetrax Solutions Private Limited*	Singapore	99	99	Development, production and marketing of products relating to home land security.
Ideal Ultimate Sdn. Bhd.	Malaysia	58	58	Currently dormant. Intended activities are development and commercialisation of the Optical Fiber Perimeter Security System.
Metronic Vietnam Company Limited*	Vietnam	100	100	Design, production and sales of engineering systems for the information and communication technology industry, specialising in intelligent management system and integrated security management system.
IPanel Malaysia Sdn. Bhd.**	Malaysia	82.5	-	Currently dormant. Intended principal activities are research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system.
Anhui Lai'An Metronic Water Supply Company Limited*	People's Republic of China	100	-	Design, construction, production, operation, maintenance and sale of treated water.

* Audited by firms of auditors other than Ernst & Young

** Inclusive of an indirect interest of 7.5% held via IPanel Ptd Ltd (See Note 17(a)(i)).

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17. Investment in subsidiaries (cont'd.)

- (a) Acquisition and incorporation of subsidiaries, and acquisition of additional interests in subsidiaries in the year ended 31 December 2009:
- (i) On 6 January 2009, the Company acquired an effective equity interest of 82.5% in IPanel Malaysia Sdn Bhd ("IPM") from Goldis Berhad via the following interest:
- 750,000 ordinary shares of RM1.00 each in IPM representing 75% equity interest in IPM for a cash consideration of RM1,055,103; and
 - 136,500 ordinary shares of S\$1.00 each in IPanel Pte Ltd ("IPS") representing 30% equity interest in IPS for a cash consideration of RM144,897. IPS in turn holds 25% equity interest in IPM. This has resulted in an effective indirect interest of 7.5% in IPM. As the Company does not have board representation and significant influence over the financial and operating policies of IPS, the investment in IPS is therefore treated as other investment as disclosed in Note 20 to the financial statements.

The acquired subsidiary has contributed the following results to the Group:

	2009
	RM
Revenue	-
Loss for the year	<u>(3,063)</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Total assets	-	-
Other Payables	<u>(2,350)</u>	<u>(2,350)</u>
Fair value of net assets	(2,350)	
Goodwill on acquisition (Note 15)	<u>1,057,453</u>	
Total cost of acquisition	<u>1,055,103</u>	

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17. Investment in subsidiaries (cont'd.)

- (a) Acquisition and incorporation of subsidiaries, and acquisition of additional interests in subsidiaries in the year ended 31 December 2009 (cont'd.):

- (i) The cash outflow on acquisition of IPM is as follows:

	2009
	RM
Purchase consideration satisfied by cash	1,055,103
Cash and cash equivalents of the subsidiary at acquisition	-
Net cash outflow of the Group	<u>1,055,103</u>

- (ii) On 11 March 2009, the Company incorporated a wholly owned foreign subsidiary, Anhui Lai'An Metronic Water Supply Company Limited in Lai'An Country, Anhui Province in the People's Republic of China with a registered capital of US Dollar ("US\$") 3,350,000. During the financial year, the Company has invested US\$645,500 (equivalent to RM2,286,605) as paid-up registered capital.
- (iii) During the financial year, the Company increased its investment capital in Metronic Vietnam Company Limited ("MVCL") by US\$175,000 (equivalent to RM609,304) to US\$200,000.
- (iv) On 16 July 2009, the Company increased its investment capital in Metronic Mobile Services Sdn Bhd ("MMSSB") by RM40,000 to RM50,000.

- (b) Acquisition and incorporation of subsidiaries, and acquisition of additional interest in subsidiaries in the year ended 31 December 2008:

- (i) Effective 17 December 2008, the Company holds a 58% equity interest in Ideal Ultimate Sdn Bhd ("Ideal Ultimate") via an acquisition of 1 ordinary share and subscription to 57 ordinary shares of RM1.00 each in Ideal Ultimate for a total cash consideration of RM58.
- (ii) On 12 September 2008, the Company incorporated a wholly owned foreign subsidiary, Metronic Vietnam Company Limited ("MVCL") in Vietnam with a total investment capital of US Dollar ("US\$") 200,000. During the financial year, the Company has invested US\$24,999 (equivalent to RM88,088) as investment capital.

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17. Investment in subsidiaries (cont'd.)

(b) Acquisition and incorporation of subsidiaries, and acquisition of additional interest in subsidiaries in the year ended 31 December 2008 (cont'd.):

(iii) On 14 July 2008, Securetrax Solutions Pte Ltd ("Securetrax") increased its ordinary share capital from 450,000 to 500,000 ordinary shares via issuance of additional 50,000 ordinary shares of S\$1.00 each for cash during the year. The Company subscribed to 49,500 of the said ordinary shares of S\$1.00 each for a cash consideration of S\$49,500 (equivalent to RM114,449), thus maintaining its 99% equity interest in Securetrax.

The effect of the above acquisitions to the financial position of the Group at the date of acquisition was not material in the financial year ended 31 December 2008. Accordingly, no disclosure on financial effects is made.

(c) Disposal of a subsidiary

On 20 August 2009, the Company disposed of 120,000 ordinary shares of Ringgit Malaysia ("RM") 1.00 each in Adprima Sdn Bhd ("Adprima") representing 60% equity interest in Adprima for a total cash consideration of RM81,800. The disposal resulted in a loss of RM80,700 to the Company and a gain of RM3,729 at the Group level during the current financial year.

The effect of the disposal on the financial position of the Group and the Company at the date of disposal is as follow:

	Group 2009 RM	Company 2009 RM
Cost of investment in the subsidiary	-	162,500
Net book value of net assets	78,071	-
	<u>78,071</u>	<u>162,500</u>
Total disposal proceeds	(81,800)	(81,800)
(Gain)/loss on disposal (Note 9(a))	<u>(3,729)</u>	<u>80,700</u>

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17. Investment in subsidiaries (cont'd.)

(c) Disposal of a subsidiary (cont'd.)

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

	Group
	2009
	RM
Property, plant and equipment (Note 13)	9,600
Deferred tax assets (Note 21)	22,121
Other net current assets	98,398
Minority interests	(52,048)
	<u>78,071</u>
Gain on disposal of subsidiary (Note 9(a))	3,729
Total sale consideration	<u>81,800</u>
Less : Cash and cash equivalents of subsidiary disposed	(135,637)
Cash outflow on disposal of the subsidiary	<u>(53,837)</u>

18. Investment in associates

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Unquoted shares, at cost:				
In Malaysia	-	5,845,993	-	5,845,993
Outside Malaysia	15,668,416	15,668,416	15,668,416	15,668,416
	<u>15,668,416</u>	<u>21,514,409</u>	<u>15,668,416</u>	<u>21,514,409</u>
Share of post-acquisition reserves	(182,477)	4,646,700	-	-
Exchange differences	1,600,139	1,763,007	-	-
	<u>17,086,078</u>	<u>27,924,116</u>	<u>15,668,416</u>	<u>21,514,409</u>

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18. Investment in associates (cont'd.)

Details of the associates are as follows:

Name of Company	Country of incorporation	Equity Interest held		Voting power held		Principal activities
		2009 %	2008 %	2009 %	2008 %	
Held by the Company:						
Unilink Development Limited	Hong Kong	25	25	25	25	Investment holding
Ariantec Sdn. Bhd.	Malaysia	-	40	40	40	Value-added provider of data network infrastructure and managed security systems and solutions.

The financial statements of the above associates are coterminous with those of the Group.

(a) The summarised financial information of the associates are as follows:

	2009 RM	2008 RM
Assets and liabilities		
Current assets	48,678,340	87,439,472
Non-current assets	33,504,515	44,255,407
Total assets	<u>82,182,855</u>	<u>131,694,879</u>
Current liabilities	34,036,363	46,340,547
Non-current liabilities	-	17,642,861
Total liabilities	<u>34,036,363</u>	<u>63,983,408</u>
Income statement		
Revenue	155,321,650	285,980,377
(Loss)/profit for the year	<u>(7,168,628)</u>	<u>7,602,154</u>

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18. Investment in associates (cont'd.)

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

Cost and net carrying amount	Goodwill RM
At 1 January 2008	7,443,598
Exchange differences	285,585
At 31 December 2008/1 January 2009	<u>7,729,183</u>
Exchange differences	(96,392)
At 31 December 2009	<u><u>7,632,791</u></u>

(b) Disposal of an associate and acquisition of other quoted investment

In 2009, Ariantec Sdn. Bhd. ("Ariantec") has increased its ordinary share capital from 2,500,000 to 3,957,196 ordinary shares via issuance of additional 1,457,196 ordinary shares at RM1 each for cash. The Company has not subscribed for the additional shares issued during the year and as such the equity interest in Ariantec was diluted to 25.27%.

The Put Option Agreement entered in 2007 with the existing shareholder of Ariantec then ("Original Shareholders") provides the Company an option to sell the 1,000,000 ordinary shares (including new shares issued) back to the Original Shareholders for a cash consideration of RM5,800,000 in the event that the Original Shareholders do not fulfill the profit guarantee that Ariantec shall achieve an audited profit after tax of RM6,750,000 for the period from 1 July 2006 to 31 December 2008. The cost of investment in Ariantec of RM5,845,993 (which includes a transaction cost of RM45,993) was settled with a remaining outstanding balance of RM868,758 as at 31 December 2009 (2008: RM4,050,000) as disclosed in Note 31(B) to the financial statements.

On 6 March 2009, the Company entered into a Conditional Share Sale Agreement with Global Soft (MSC) Bhd (now known as Ariantec Global Berhad) ("AGB") for the disposal of 1,000,000 ordinary shares of RM1.00 each representing a 25.27% equity interest in Ariantec to be fully satisfied via the issuance of 96,657,750 new ordinary shares in AGB of RM0.10 each. Based on the issue price of RM0.10 per AGB share, the indicative disposal consideration was RM9,665,775. The disposal was later completed on 26 November 2009 and Ariantec ceased to be an associate of the Company. The final disposal consideration was RM8,666,197 based on the market price of AGB share at RM0.09 per share on the completion day. The Company became one of the substantial shareholders in AGB, holding approximately 16.99% equity interest in AGB effective from 26 November 2009. As the Company does not have board representation and significant influence over the financial and operating policy decision of AGB, the investment is therefore treated as other investment as disclosed in Note 20 to the financial statements.

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18. Investment in associates (cont'd.)

(b) Disposal of an associate and acquisition of other quoted investment (cont'd.)

The effect of the disposal on the financial position of the Group at the date of disposal is as follow:

	Group RM	Company RM
Investment in associate	-	5,845,993
Net book value of net assets	6,225,330	-
	<u>6,225,330</u>	<u>5,845,993</u>
Total sale consideration	<u>(8,699,198)</u>	<u>(8,699,198)</u>
Gain on disposal (Note 9(a))	<u>(2,473,868)</u>	<u>(2,853,205)</u>

19. Investment in jointly controlled entity

	Company	
	2009 RM	2008 RM
Unquoted shares, at cost:		
Outside Malaysia	220,850	220,850
Less:		
Accumulated impairment losses	-	-
	<u>220,850</u>	<u>220,850</u>

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19. Investment in jointly controlled entity (cont'd.)

Name of Company		Equity Interest held		Principal Activities
		2009 %	2008 %	
Metronic Saudi Arabia Limited Liability Company	King-dom of Saudi Arabia	50	50	Currently dormant. Intended principal activities are design, production and sale of engineering systems for the information, communication and technology industry specialising in intelligent building management system and integrated security management system.

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

	2009 RM	2008 RM
Assets and liabilities		
Current assets	231,500	231,500
Non-current assets	-	-
Total assets	<u>231,500</u>	<u>231,500</u>
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Income statement		
Revenue	-	-
Expenses, including finance costs and taxation	<u>-</u>	<u>-</u>

In the year 2008, the Company disposed 200,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each in Metronic Saudi Arabia Limited Liability Company ("MSA"), representing a 40% equity interest in MSA, for a total cash consideration of SAR200,000 (equivalent to RM176,680). The disposal was at cost with no gain no loss recognised. As a result of the disposal, MSA ceased to be a subsidiary and become a jointly controlled entity of the Company thereafter.

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20. Other investments

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Quoted securities in Malaysia:				
Quoted shares, at cost	9,758,363	979,165	8,699,198	-
Irredeemable convertible unsecured loan stocks, at cost	-	80,000	-	-
Impairment loss	(654,962)	(743,683)	-	-
	<u>9,103,401</u>	<u>315,482</u>	<u>8,699,198</u>	<u>-</u>
Investment in unquoted shares	144,897	-	144,897	-
Golf club membership	94,000	94,000	-	-
Impairment loss	(144,897)	-	(144,897)	-
	<u>9,197,401</u>	<u>409,482</u>	<u>8,699,198</u>	<u>-</u>
Market value of quoted securities	<u>10,325,978</u>	<u>504,282</u>	<u>9,665,775</u>	<u>-</u>

21. Deferred tax

	Group	
	2009	2008
	RM	RM
At 1 January	2,435,376	1,663,440
Recognised in income statement (Note 10)	440,821	774,947
Foreign currency translation differences	861	(3,011)
Disposal of subsidiary (Note 17(c))	(22,121)	-
At 31 December - after appropriate set off	<u>2,854,937</u>	<u>2,435,376</u>

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21. Deferred tax (cont'd.)

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2009	64,534	64,534
Recognised in income statement	(10,793)	(10,793)
Disposal of subsidiary (Note 17(c))	(1,517)	(1,517)
Foreign currency translation differences	185	185
At 31 December 2009	<u>52,409</u>	<u>52,409</u>
At 1 January 2008	93,906	93,906
Recognised in income statement	(28,722)	(28,722)
Foreign currency translation differences	(650)	(650)
At 31 December 2008	<u>64,534</u>	<u>64,534</u>

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
At 1 January 2009	1,045,000	802,000	652,910	2,499,910
Recognised in income statement	119,000	293,000	18,028	430,028
Disposal of subsidiary (Note 17(c))	-	-	(23,638)	(23,638)
Foreign currency translation differences	-	-	1,046	1,046
At 31 December 2009	<u>1,164,000</u>	<u>1,095,000</u>	<u>648,346</u>	<u>2,907,346</u>
At 1 January 2008	912,000	573,000	272,346	1,757,346
Recognised in income statement	133,000	229,000	384,225	746,225
Foreign currency translation differences	-	-	(3,661)	(3,661)
At 31 December 2008	<u>1,045,000</u>	<u>802,000</u>	<u>652,910</u>	<u>2,499,910</u>

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21. Deferred tax (cont'd.)

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

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

	Group	
	2009	2008
	RM	RM
Unused tax losses	750,090	630,872
Unabsorbed capital allowances	6,219	2,180
	<u>756,309</u>	<u>633,052</u>

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Malaysia Income Tax Act, 1967 and guidelines issued by the tax authority.

22. Inventories

	Group	
	2009	2008
	RM	RM
At cost		
Building automation equipment and parts	1,452,448	1,624,813
Raw materials	-	63,675
Finished goods	-	424,149
	<u>1,452,448</u>	<u>2,112,637</u>

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23. Trade and other receivables

(A) Trade receivables:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade receivables	17,144,852	9,876,978	-	-
Progress billings receivable	55,183,696	56,972,670	-	-
Due from customers on contracts (Note 24)	10,997,020	11,955,608	-	-
Advances to sub- contractors	15,303	-	-	-
Retention sums on contracts (Note 24)	16,218,123	15,830,300	-	-
	<u>99,558,994</u>	<u>94,635,556</u>	<u>-</u>	<u>-</u>
Allowance for doubtful debts	<u>(9,039,956)</u>	<u>(8,424,372)</u>	<u>-</u>	<u>-</u>
	<u>90,519,038</u>	<u>86,211,184</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 concentration of credit risk that may arise from exposures to a single debtor or groups of debtors other than:

- (i) a balance due from a debtor of RM46,855,069 (2008: RM37,559,119), who is a related party as disclosed in Note 33(a), is over the normal credit period given to customers. Included in the balance due from the related party is also the retention sums on contracts of RM10,530,270 (2008: RMNil) which is due upon the expiry of warranty period during the year. These debts are due for sub-contract work completed for the related party who is the main contractor on certain federal public sector projects for the Government of Malaysia; and
- (ii) a balance due from certain group of debtors of RM2,114,682 (2008: RM1,565,033) which relates to work performed by the Group on a number of the above-mentioned projects, of which the entire amount is over the normal credit period given to customers. Included in the balance due from certain group of debtors is the retention sums on contracts of RM549,649 (2008: RMNil) which is due upon the expiry of warranty period during the year.

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23. Trade and other receivables (cont'd.)

(A) Trade receivables (cont'd.):

The total exposure to the Group as a result of (i) and (ii) amounted to RM48,969,751 (2008:RM39,124,152). The Group is continuously pursuing to recover the debts with the relevant authorities and the debtors. The Group has received the Certificate of Practical Completion from the related party and noted that the defects liability period has expired during the year and that there are no further defects to be made good. The Group has also obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payments from the relevant authorities. (See Note 31(A) for the related amounts due to sub-contractors and suppliers of the above mentioned projects).

The Board of Directors has assessed the carrying value of these receivables and based on the current available information, is of the opinion that no provision for doubtful debts is required as at 31 December 2009.

(B) Other receivables:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Due from subsidiaries	-	-	14,926,239	18,209,117
Deposits and prepayment	649,332	1,834,709	-	1,200,000
Sundry receivables	2,394,168	3,012,678	68,560	68,560
Allowance for doubtful debts	<u>(1,534,032)</u>	<u>(1,497,062)</u>	-	-
	<u>1,509,468</u>	<u>3,350,325</u>	<u>14,994,799</u>	<u>19,477,677</u>

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM549,418 (2008: RM1,242,092).

24. Due from/to customers on contracts

	Group	
	2009	2008
	RM	RM
Contract costs incurred to date	259,461,962	249,205,160
Add: Attributable profits	<u>46,782,877</u>	<u>45,715,888</u>
	306,244,839	294,921,048
Less: Progress billings received and receivable	<u>(299,397,094)</u>	<u>(285,549,501)</u>
	<u>6,847,745</u>	<u>9,371,547</u>

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24. Due from/to customers on contracts (cont'd.)

	Group	
	2009	2008
	RM	RM
Due from customers on contracts (Note 23(A))	10,997,020	11,955,608
Due to customers on contracts (Note 31(A))	(4,149,275)	(2,584,061)
	<u>6,847,745</u>	<u>9,371,547</u>
Retention sums on contracts, included within trade debtors (Note 23(A))	<u>16,218,123</u>	<u>15,830,300</u>
Advances received on contracts, included within trade payables (Note 31(A))	<u>789,219</u>	<u>595,454</u>
Contract costs recognised as an expense (Note 6)	<u>35,998,295</u>	<u>35,605,631</u>

Included in contract costs recognised as an expense is provision for defect liabilities of RM956,617 (2008: RM973,689) during the year.

25. Short term deposits

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Fixed deposits with licensed banks	<u>8,805,586</u>	<u>8,173,491</u>	<u>1,726,483</u>	<u>1,103,083</u>

Fixed deposits with licensed banks of the Group amounting to RM7,576,896 (2008: RM8,173,491) and of the Company amounting to RM1,726,483 (2008: RM1,103,083) are pledged as security for banking facilities granted to the Group and to the Company respectively as disclosed in Note 32 and Note 35 to the financial statements.

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

	Interest rate		Maturity	
	2009	2008	2009	2008
	%	%	day	day
Group	1.90	3.31	84	85
Company	<u>2.23</u>	<u>3.70</u>	<u>87</u>	<u>112</u>

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26. Cash and cash equivalents

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cash and bank balances	7,216,058	2,791,213	111,459	199,445
Fixed deposits with licensed banks*	1,228,690	-	-	-
Bank overdrafts (Note 32)	(3,738,118)	(1,859,670)	-	-
Total cash and cash equivalents	4,706,630	931,543	111,459	199,445

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

27. Share capital

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2009	2008	2009	2008
			RM	RM
Authorised:				
At 1 January/31 December	1,000,000,000	1,000,000,000	100,000,000	100,000,000

	Number of ordinary shares of RM0.10 each	Amount		
		Share capital (issued and fully paid)	Share capital (issued and fully paid)	Total share capital
		RM	RM	RM
Issued and fully paid:				
At 1 January 2009/31 December 2009	634,906,903	63,490,690	63,490,690	63,490,690

There was no issuance of new shares for the year ended 31 December 2009.

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28. Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

29. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2008 and 2009, the Company has sufficient credit in the Section 108 balance and tax-exempt income account to pay franked dividends out of its entire retained earnings.

As at 31 December 2009, the Company has tax exempt profits available for distribution of approximately RM16,008 (2008: RM15,500), subject to the agreement of the Inland Revenue Board.

30. Hire purchase payables

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Amounts outstanding	66,345	83,800	-	-
Less: Due within twelve months (Note 31(B))	(11,899)	(17,455)	-	-
Due after twelve months	<u>54,446</u>	<u>66,345</u>	<u>-</u>	<u>-</u>

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

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30. Hire purchase payables (cont'd.)

	Group			
	2009		2008	
	Minimum payments RM	Present value of liabilities RM	Minimum payments RM	Present value of liabilities RM
Gross amounts payable				
Not later than 1 year	15,216	11,899	21,466	17,455
More than 1 year but not later than 5 years	69,649	54,446	84,865	66,345
	<u>84,865</u>	<u>66,345</u>	<u>106,331</u>	<u>83,800</u>
Less: Future finance charges	(18,520)	-	(22,531)	-
	<u>66,345</u>	<u>66,345</u>	<u>83,800</u>	<u>83,800</u>

31. Trade and other payables

(A) Trade payables:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade payables	47,332,245	42,194,942	-	-
Advances received on contracts (Note 24)	789,219	595,454	-	-
Due to customers on contracts (Note 24)	4,149,275	2,584,061	-	-
	<u>52,270,739</u>	<u>45,374,457</u>	<u>-</u>	<u>-</u>

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM27,293,035 (2008:RM30,052,159) which relates to work completed for certain federal public sector projects as mentioned in Note 23(A)(i) and Note 23(A)(ii). In accordance with the agreements with these sub-contractors and suppliers, the amount will be settled only upon the Group's receipt of payments from the debtors. The management is confident of enforcing this payment term with the sub-contractors and suppliers.

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31. Trade and other payables (cont'd.)

(B) Other payables

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Due to subsidiary	-	-	33,822	-
Other creditors and accruals	5,941,321	7,854,707	1,373,813	4,510,470
Due to a related party	1,700,000	-	1,700,000	-
Deferred revenue	1,179,714	196,091	-	-
Due to directors	1,284,271	1,300,855	-	-
Provision for defect liabilities	4,665,609	4,180,733	-	-
Hire purchase payables (Note 30)	11,899	17,455	-	-
	<u>14,782,814</u>	<u>13,549,841</u>	<u>3,107,635</u>	<u>4,510,470</u>

Included in the Group's and Company's other creditors and accruals is an amount due to the Original Shareholders of a former associate as disclosed in Note 18(b) to the financial statements.

Amount due to a related party is non-interest bearing, unsecured and has no fixed terms of repayment.

32. Bank borrowings

	Group	
	2009	2008
	RM	RM
Short term borrowings		
Bank overdraft (secured) (Note 26)	3,738,118	1,859,670
Bankers' acceptances (secured)	6,962,083	4,822,092
Revolving credit	-	5,929,020
	<u>10,700,201</u>	<u>12,610,782</u>

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and the fixed deposits with licensed banks of RM7,576,896 (2008:RM8,173,491) of the Group as disclosed in Note 13, Note 14 and Note 25. The interest rates on these borrowings range between 3.03% to 6.8% (2008:4.50% to 8.0%) per annum.

The revolving project loan is secured by the deed of assignment of contract proceeds and receivables in relation to the project at an interest rate of 7% per annum.

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33. Significant related party transactions

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group	2009		2008	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
Rental received from Metronic Corporation Sdn. Bhd. +	12,000	-	12,000	-
Purchases from ITG Worldwide (M) Sdn. Bhd. ##	-	962,745	1,423,904	1,014,171
Rental received from ITG Worldwide (M) Sdn. Bhd. ##	12,000	-	12,000	-
Contract fee payable to Integrated Commerce Sdn. Bhd. *	-	19,059	-	19,059
Contract and maintenance services receivable from - MH Projects Sdn. Bhd. ("MHP") #	330	46,855,069	680	37,559,119
- ER Mekatron Manufacturing Sdn Bhd. ###	11,000	11,000	-	-
Maintenance fee receivable from Integrated Commerce Sdn. Bhd. *	-	-	67,869	-
Subcontractor fee to Ledtronics Sdn. Bhd.**	85,798	-	-	16,192
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	178,775	291,645	647,115	409,170
Sale of equipment to Edmund Chuah Choong Eng Huat***	-	58,786	62,431	62,431

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33. Significant related party transactions (cont'd.)

(a) (cont'd.)

Group (cont'd.)	2009		2008	
	Transactions RM	Balance Outstanding RM	Transactions RM	Balance Outstanding RM
Contract revenue receivable from Ariantec Sdn. Bhd. @	28,000	583	2,677,393	-
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd. @	75,350	-	-	-
Company				
Dividend income from Ariantec Sdn. Bhd. @	2,681,242	-	-	-
Subsidiaries:				
Management fee receivable	1,200,000	-	-	-
Office rental payable	12,000	-	12,000	-

+ A company in which the directors of the Company, Dato' Abd. Gani bin Yusof, Dr Ng Tek Che and Liew Chiap Hong have interest.

A company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff were also the directors of this company until 15 November 2009 and 30 November 2009 respectively, and a family member of Dato' Abd. Gani bin Yusof is a director of this company.

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

A company in which a director of the Company, Edmund Chuah Choong Eng Huat has interest.

@ A former associate of the Company, in which the directors of the Company, Dato' Abd. Gani bin Yusof and Dr Ng Tek Che were also directors of this company.

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33. Significant related party transactions (cont'd.)

(a) (cont'd.)

- * A company in which a director of the Company, Dato' Abd. Gani bin Yusof has interest until 16 July 2009.
- ** A company in which a director of the Company, Datuk Subhi Bin Dziauddin, was also a director of this company until 20 July 2009.
- *** Edmund Chuah Choong Eng Huat is a director of the Company.

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

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Short-term employee benefits	980,867	998,257	629,420	-
Post-employment benefits:				
Defined contribution plan	73,584	83,328	73,584	-
Directors' fees	72,000	74,000	108,000	110,000
	<u>1,126,451</u>	<u>1,155,585</u>	<u>811,004</u>	<u>110,000</u>
Included in the total key management personnel are:				
Directors' remuneration (Note 9(b))	<u>1,126,451</u>	<u>1,155,585</u>	<u>811,004</u>	<u>110,000</u>

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34. Capital commitments

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	<u>9,275,083</u>	<u>11,642,255</u>	<u>9,275,083</u>	<u>11,642,255</u>
Approved and not contracted for:				
- Capital expenditure	<u>21,807,547</u>	<u>-</u>	<u>-</u>	<u>-</u>

35. Contingent liabilities

	Group	
	2009	2008
	RM	RM
(a) Secured:		
Performance and financial guarantees issued by the banks to third parties	6,858,600	10,255,744
Standby Letter of Credit given to a licensed bank for credit facilities granted to a foreign subsidiary	<u>1,371,800</u>	<u>2,717,349</u>
	<u>8,230,400</u>	<u>12,973,093</u>

The above bank guarantees and letter of credit are secured on the freehold land and buildings, leasehold buildings and fixed deposits with licensed banks of the Group amounting to RM7,576,896 (2008:RM8,173,491) and of the Company amounting to RM1,726,483 (2008: RM1,103,083) respectively as disclosed in Note 13 and Note 25 to the financial statements.

	Group	
	2009	2008
	RM	RM
(b) Unsecured:		
Litigation, claims and legal suits	<u>2,073,133</u>	<u>2,251,617</u>

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35. Contingent liabilities (cont'd.)

(b) Unsecured (cont'd.):

- (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 proceed by the way of arbitration. However, CWorks filed an appeal against the Registrar's decision and the High Court has allowed the appeal and set aside the Order of 'sine die'. The Company's solicitors had filed an appearance and defence as well as counterclaim against CWorks. On 16 February 2009, CWorks solicitors served their reply to the Company's defence and defence to the counterclaim. CWorks has also filed an application for Summary Judgment and High Court has fixed the date for Case Management on 30 November 2009.

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

The Company's solicitors are of the opinion that the prospect of the claim to be successful is remote as CWorks failed to fulfill the terms of the contract. Therefore, no provision has been made as at 31 December 2009.

- (ii) On 20 January 2009, the Company's wholly owned subsidiary, Metronic Engineering Sdn. Bhd. ("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 case is now fixed for trial. 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 Company's solicitors are of the opinion that the prospect to defeat the claim is good as the claim does not prevail over the guarantee. Therefore, no provision has been made as at 31 December 2009.

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35. Contingent liabilities (cont'd.)

(b) Unsecured (cont'd.):

- (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. ("MH Projects"). MH Projects has not paid MESB.

On 21 July 2009, TMSB proceeded for a Summary Judgment in the High Court of Kuala Lumpur. MESB had filed defence and a 3rd party proceedings was initiated against MH Projects. The matter is now fixed for Case Management on 17 May 2010 pending hearing of Summary Judgment application.

The amount claimed of RM267,202 has already been accrued for in the financial statements and no further provision is required as at 31 December 2009.

- (iv) On 15 November 2005, MESB being the first defendant was served with a Writ of Summons by Lee Bee Leng & two others ("Plaintiffs") claiming for among others general damages of RM500,000 and special damages of RM403,550 due to the death of the first Plaintiff's husband and second and third Plaintiff's father. The maximum exposure to liabilities of MESB and University Teknologi Petronas ("UTP") (Second Defendant) is therefore estimated at RM903,550. The dependency claim of RM403,550 has been dismissed, thus reducing MESB and UTP's exposure to RM500,000. This case has been struck off during the year.

	Company	
	2009	2008
	RM	RM
(c) Unsecured:		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	64,900,000	64,900,000

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36. Event subsequent to balance sheet date

- (a) On 4 March 2010, the Company invested US\$175,012, being additional paid up registered capital in Anhui Lai'An Metronic Water Supply Company Limited, bringing the total paid-up registered capital to US\$820,512 (equivalent to RM2,879,322).

37. 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 (both fair value and cash flow), foreign currency risk, liquidity and credit risks. It is, and has been throughout the year under review, the Group's policy not to engage in speculative transactions.

(b) Interest rate risk

Cash flow interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no substantial long term interest-bearing assets as at 31 December 2009. The investments in financial assets are mainly short term in nature and have been mostly placed in short term deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. 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 rate hikes. The Group does not have any exposure in off balance sheet instruments other than the financial guarantees as disclosed in Note 35.

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

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37. Financial instruments (cont'd.)

(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 the functional currency of the operations to which they relate. Exposure to foreign currency risks are monitored on an on-going basis. The currencies giving rise to this risk are primarily the United States Dollar, Great Britain Pound, Euro, Singapore Dollar and Arab Emirates Dirham.

The unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	United States Dollar RM	Great Britain Pound RM	Euro RM	Singapore Dollar RM	Arab Emirates Dirham RM	Total RM
Trade payables						
At 31 December 2009	846,738	26,085	121,917	37,120	50,068	1,081,928
At 31 December 2008	1,817,831	92,140	134,595	111,340	-	2,155,906
	United States Dollar RM	Saudi Riyal RM	Arab Emirates Dirham RM	Total RM		
Trade receivables						
At 31 December 2009	232,685	445,043	321,673	999,401		
At 31 December 2008	355,267	-	-	355,267		

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37. Financial instruments (cont'd.)

(e) Credit risk

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

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instruments other than the progress billings receivables from a related party and certain group of debtors of RM37,889,832 (2008: RM39,124,152) and retention sums on contracts of RM11,079,919 (2008: RM11,079,919) as disclosed in Note 23(A).

(f) Fair values

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

	Group		Company	
	Carrying value RM	Fair value RM	Carrying value RM	Fair value RM
At 31 December 2009:				
Financial Assets				
Quoted Securities in Malaysia	9,103,401	10,325,978	8,699,198	9,665,775
Amount due from subsidiaries	-	-	14,926,239	#
At 31 December 2008:				
Financial Assets				
Quoted Securities in Malaysia	315,482	504,282	-	-
Amount due from subsidiaries	-	-	18,209,117	#

It is not practical to estimate the fair values of amount due from subsidiaries 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.

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37. Financial instruments (cont'd.)

(f) Fair values (cont'd.)

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.

38. Segmental reporting

(a) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses. Transfer pricing between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses, and results include transfers between business segments. These transfers are eliminated on consolidation.

(b) Geographical segments

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

(i) Malaysia

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

38. Segmental reporting (cont'd.)

(b) Geographical segments (cont'd.)

(ii) Overseas

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

(c) Business segments

The Group comprises two main business segments:

- (i) Engineering - system integration specialising in the field of intelligent building management system and integrated security management system, e-project management of mechanical and electrical services, supply of engineering systems and equipment.
- (ii) ICT support services - provision of online administration services for the healthcare sector.

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38. Segmental reporting (cont'd.)

Geographical segments

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

	Malaysia RM	Overseas RM	Consolidation adjustments RM	Total RM
31 December 2009				
Revenue				
Sales to external customers	48,971,019	10,541,673	-	59,512,692
Inter-segment sales	150,288	23,793	(174,081)	-
Total Revenue	<u>49,121,307</u>	<u>10,565,466</u>	<u>(174,081)</u>	<u>59,512,692</u>
Results				
Segment result	3,544,085	(2,141,323)	-	1,402,762
Share of profit/(loss) of associates	363,110	(2,131,709)	-	(1,768,599)
Finance cost	(518,926)	(30,424)	-	(549,350)
Loss before tax				(915,187)
Income tax expense				(623,373)
Net loss for the year				<u>(1,538,560)</u>
Assets				
Segment assets	144,772,532	14,155,113	(23,548,412)	135,379,233
Investment in associates	15,668,416	-	1,417,662	17,086,078
				<u>152,465,311</u>
Liabilities				
Segment liabilities	86,651,788	15,067,124	(23,316,912)	<u>78,402,000</u>
Other segment information				
Capital expenditure	540,358	620,808	-	1,161,166
Depreciation of property plant and equipment	376,640	181,884	-	558,524
Depreciation of investment properties	5,267	-	-	5,267
Amortisation of intangible assets and prepaid lease payments	938,709	13,277	-	951,986
Recovery of provision for doubtful debts	1,017,749	-	-	1,017,749

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38. Segmental reporting (cont'd.)

Geographical segments (cont'd.)

	Malaysia RM	Overseas RM	Consolidation adjustments RM	Total RM
31 December 2009 (cont'd.)				
Other significant non-cash expenses:				
Provision for doubtful debts	1,453,948	245,373	-	1,699,321
Provision for defect liabilities	795,162	161,455	-	956,617
Write-down of inventories	73,161	221,182	-	294,343
31 December 2008				
Revenue				
Sales to external customers	38,990,485	12,671,490	-	51,661,975
Inter-segment sales	68,586	-	(68,586)	-
Total Revenue	<u>39,059,071</u>	<u>12,671,490</u>	<u>(68,586)</u>	<u>51,661,975</u>
Results				
Segment result	(3,467,243)	(6,388,172)	-	(9,855,415)
Share of profit of associates	1,664,654	927,039	-	2,591,693
Finance cost	(674,805)	(27,956)	-	<u>(702,761)</u>
Loss before tax				(7,966,483)
Income tax expense				<u>656,572</u>
Net loss for the year				<u>(7,309,911)</u>
Assets				
Segment assets	134,748,004	10,636,782	(25,657,513)	119,727,273
Investment in associates	21,514,409	-	6,409,707	<u>27,924,116</u>
				<u>147,651,389</u>
Liabilities				
Segment liabilities	84,868,800	12,271,032	(25,419,012)	<u>71,720,820</u>

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38. Segmental reporting (cont'd.)

Geographical segments (cont'd.)

	Malaysia RM	Overseas RM	Consolidation adjustments RM	Total RM
31 December 2008 (cont'd.)				
Other segment information				
Capital expenditure	511,667	167,834	-	679,501
Depreciation of property plant and equipment	449,292	164,783	-	614,075
Depreciation of investment properties	5,267	-	-	5,267
Amortisation of intangible assets	975,658	-	-	975,658
Other significant non-cash expenses:				
Provision for doubtful debts (net)	1,190,789	2,023,574	-	3,214,363
Provision for defect liabilities	973,689	-	-	973,689
Write-down of inventories	91,832	2,112,794	-	2,204,626

Business segment

	Revenue	
	2009 RM	2008 RM
Engineering	53,786,166	49,205,519
ICT support services	5,726,526	2,456,456
	<u>59,512,692</u>	<u>51,661,975</u>

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38. Segmental reporting (cont'd.)

Business segment (cont'd.)

	Assets	
	2009	2008
	RM	RM
Engineering	134,355,308	138,968,206
ICT support services	18,110,003	8,683,183
	<u>152,465,311</u>	<u>147,651,389</u>
	Capital expenditure	
	2009	2008
	RM	RM
Engineering	742,415	226,540
ICT support services	418,751	452,961
	<u>1,161,166</u>	<u>679,501</u>