

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

Directors' Report and Audited Financial Statements
31 December 2008

Ernst & Young
AF : 0039

632068-V

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

Contents	Page
Directors' report	1 - 5
Statement by directors	6
Statutory declaration	6
Independent auditors' report	7 - 8
Income statements	9
Balance sheets	10 - 11
Statements of changes in equity	12 - 14
Cash flow statements	15 - 18
Notes to the financial statements	19 - 88

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

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 2008.

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 Ideal Ultimate Sdn. Bhd. and incorporated a new wholly owned foreign subsidiary, namely, Metronic Vietnam Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 16 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 for the year	<u>(7,309,911)</u>	<u>(5,471,060)</u>
Equity holders of the Company	(7,260,285)	(5,471,060)
Minority interests	(49,626)	-
	<u>(7,309,911)</u>	<u>(5,471,060)</u>

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

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

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

Dividends

There were no dividend paid by the Company since 31 December 2007.

The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2008.

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

Amirudin bin Mohd Baria

Edmund Chuah Choong Eng Huat

Gu Ying

(resigned on 8 April 2009)

Lim Tzeh Foong

(appointed on 1 August 2008)

Li Ji Chang

(resigned on 23 June 2008)

Lee Fok Chong

(resigned on 28 August 2008)

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 32 to the financial statements.

Metronic Global Berhad
(Incorporated in Malaysia)

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 31.12.2008
	As at 1.1.2008	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	-	-	47,903,459
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	-	-	558,999
Gu Ying*	36,391,308	-	- 10,000,000	26,391,308

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.

* Via Newtron Company Limited (BVI)

None of the other directors holding office at 31 December 2008 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 there were no known bad debts and adequate provisions have 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.

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

Other information statutory (cont'd.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or the amount of the 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.

632068-V

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

Subsequent events

Subsequent events are disclosed in Note 35 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 2009.

Dato' Abd. Gani bin Yusof

Dr Ng Tek Che

Selangor Darul Ehsan

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

**Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965**

We, Dato' Abd. Gani bin Yusof and Dr Ng Tek Che, being the directors of Metronic Global Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 88 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 2008 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 2009.

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 9 to 88 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 2009

Dr Ng Tek Che

Before me,

632068-V

**Independent auditors' report to the members of
Metronic Global Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Metronic Global Berhad, which comprise the balance sheets as at 31 December 2008 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 9 to 88.

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.

632068-V

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

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 position of the Group and of the Company as at 31 December 2008 and of their financial performances and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 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.

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 2009

Chan Hooi Lam
No. 2844/02/10(J)
Chartered Accountant

Metronic Global Berhad
(Incorporated in Malaysia)

Income statements
For the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM (restated)	2008 RM	2007 RM
Revenue	5	51,661,975	52,694,835	-	-
Cost of sales	6	(39,451,796)	(39,979,206)	-	-
Gross profit		12,210,179	12,715,629	-	-
Other income	7	540,610	650,793	40,086	1,214,057
Administration expenses		(4,361,040)	(3,311,490)	(693,419)	(786,214)
Other operating expenses		(18,245,164)	(11,478,818)	(4,817,727)	(175,773)
(Loss)/profit from operations		(9,855,415)	(1,423,886)	(5,471,060)	252,070
Finance costs	8	(702,761)	(454,591)	-	(21,989)
Share of profit of associates		2,591,693	3,146,332	-	-
(Loss)/profit before taxation	9	(7,966,483)	1,267,855	(5,471,060)	230,081
Income tax expense	10	656,572	(854,117)	-	93,998
(Loss)/profit for the year		(7,309,911)	413,738	(5,471,060)	324,079
Attributable to:					
Equity holders of the Company		(7,260,285)	988,055	(5,471,060)	324,079
Minority interests		(49,626)	(574,317)	-	-
		(7,309,911)	413,738	(5,471,060)	324,079
Earnings per share (sen):					
Basic	11	(1.14)	0.17		
Diluted	11	(1.14)	0.17		

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

Metronic Global Berhad
(Incorporated in Malaysia)

Balance sheets as at 31 December 2008

	Note	Group	2007	Company	2007
		2008	2007	2008	2007
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	13	10,960,540	10,819,664	-	-
Investment properties	14	389,216	394,483	-	-
Intangible assets	15	2,893,809	3,710,942	-	-
Investment in subsidiaries	16	-	-	24,520,900	29,467,211
Investment in associates	17	27,924,116	23,686,416	21,514,409	21,514,409
Investment in jointly controlled entity	18	-	-	220,850	-
Other investments	19	409,482	674,484	-	-
Deferred tax assets	20	2,435,376	1,663,440	-	-
		<u>45,012,539</u>	<u>40,949,429</u>	<u>46,256,159</u>	<u>50,981,620</u>
Current assets					
Inventories	21	2,112,637	4,514,394	-	-
Trade receivables	22	86,211,184	98,078,551	-	-
Other receivables	22	3,350,325	2,328,242	19,477,677	20,664,471
Short term deposits	24	8,173,491	7,370,557	1,103,083	1,063,729
Cash and bank balances	25	2,791,213	2,874,676	199,445	323,435
		<u>102,638,850</u>	<u>115,166,420</u>	<u>20,780,205</u>	<u>22,051,635</u>
Total assets		<u>147,651,389</u>	<u>156,115,849</u>	<u>67,036,364</u>	<u>73,033,255</u>

Metronic Global Berhad
(Incorporated in Malaysia)

Balance sheets as at 31 December 2008 (cont'd.)

	Note	Group	2007	Company	2007
		2008	2007	2008	2007
		RM	RM	RM	RM
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	26	63,490,690	63,490,690	63,490,690	63,490,690
Foreign currency translation reserve	27	1,879,609	143,993	-	-
Retained profits/ (accumulated loss)	28	9,832,579	17,092,864	(964,796)	4,506,264
		<u>75,202,878</u>	<u>80,727,547</u>	<u>62,525,894</u>	<u>67,996,954</u>
Minority interests		<u>727,691</u>	<u>820,375</u>	<u>-</u>	<u>-</u>
Total equity		<u>75,930,569</u>	<u>81,547,922</u>	<u>62,525,894</u>	<u>67,996,954</u>
Non-current liabilities					
Hire purchase payables	29	66,345	83,800	-	-
		<u>66,345</u>	<u>83,800</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	30	45,374,457	51,985,374	-	-
Other payables	30	13,549,841	13,245,531	4,510,470	5,036,301
Bank borrowings	31	12,610,782	9,246,386	-	-
Provision for taxation		119,395	6,836	-	-
		<u>71,654,475</u>	<u>74,484,127</u>	<u>4,510,470</u>	<u>5,036,301</u>
Total liabilities		<u>71,720,820</u>	<u>74,567,927</u>	<u>4,510,470</u>	<u>5,036,301</u>
Total equity and liabilities		<u>147,651,389</u>	<u>156,115,849</u>	<u>67,036,364</u>	<u>73,033,255</u>

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

632068-V

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

**Statements of changes in equity
For the year ended 31 December 2008**

	←	Attributable to equity holders of the parent				→	Total	Minority interests	Total equity
		Non-distributable reserve		Distributable reserve					
		Share capital	Share premium	Foreign currency translation reserve	Retained profits				
Note	RM	RM	RM	RM	RM	RM	RM		
Group									
At 1 January 2007		28,354,000	6,406,222	- 51,769	26,710,304	61,418,757	1,139,138	62,557,895	
Issue of ordinary shares:									
Issued for cash		1,225,000	3,920,000	-	-	5,145,000	-	5,145,000	
Acquisition of subsidiary	16(b)(ii)	2,304,147	4,608,295	-	-	6,912,442	-	6,912,442	
Acquisition of associate	17(b)(i)	2,304,147	4,608,295	-	-	6,912,442	-	6,912,442	
Pursuant to bonus issue		29,303,396	- 18,697,901	-	- 10,605,495	-	-	-	
Transaction costs		-	- 844,911	-	-	- 844,911	-	- 844,911	
Currency translation differences		-	-	195,762	-	195,762	- 19	195,743	
Acquisition and subscription of shares in subsidiaries by minority shareholders		-	-	-	-	-	255,573	255,573	
Net profit for the year		-	-	-	988,055	988,055	- 574,317	413,738	
At 31 December 2007		63,490,690	-	143,993	17,092,864	80,727,547	820,375	81,547,922	

632068-V

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

**Statements of changes in equity
For the year ended 31 December 2008 (cont'd.)**

	Note	← Attributable to equity holders of the parent →					Minority interests RM	Total equity RM
		Share capital RM	Non-distributable reserve		Distributable reserve			
			Share premium RM	Foreign currency translation reserve RM	Retained profits RM	Total 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 a subsidiary by a minority shareholder		-	-	-	-	-	1,093	1,093
Disposal of a subsidiary (Note 18)		-	-	-	-	-	(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

Metronic Global Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2008 (cont'd.)

		Non- distributable reserve	Distributable reserve	
	Note	Share capital	Share premium	Retained profits/ (accumulated loss)
		RM	RM	RM
Company				
At 1 January 2007		28,354,000	6,406,222	14,787,680
Issue of ordinary shares:				
Issued for cash		1,225,000	3,920,000	-
Acquisition of subsidiary	16(b)(ii)	2,304,147	4,608,295	-
Acquisition of associate	17(b)(i)	2,304,147	4,608,295	-
Pursuant to bonus issue		29,303,396	(18,697,901)	(10,605,495)
Transaction costs		-	(844,911)	-
Net profit for the year		-	-	324,079
At 31 December 2007		<u>63,490,690</u>	<u>-</u>	<u>4,506,264</u>
At 1 January 2008		63,490,690	-	4,506,264
Net loss for the year		-	-	(5,471,060)
At 31 December 2008		<u>63,490,690</u>	<u>-</u>	<u>964,796</u>
			-	62,525,894

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

Metronic Global Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 31 December 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/profit before taxation	(7,966,483)	1,267,855	(5,471,060)	230,081
Adjustments for:				
(Gain)/loss on disposal of property, plant and equipment (Note 9(a))	(347)	4,648	-	-
Gain on disposal of quoted securities (Note 9(a))	(94,748)	(283,059)	-	-
Gain on disposal of subsidiary (Note 9(a))	-	-	-	(1,160,105)
Unrealised foreign exchange (gains)/ losses (Note 9(a))	(415,594)	(44,528)	10,650	-
Depreciation of property, plant and equipment (Note 9(a))	614,075	604,825	-	-
Depreciation of investment properties (Note 9(a))	5,267	5,267	-	-
Amortisation of intangible assets (Note 9(a))	975,658	816,181	-	-
Write-off of intangible assets (Note 9(a))	254,975	5,766	-	-
Provision for doubtful debts (Note 9(a))	3,811,172	897,740	-	-
Write back of provision for doubtful debts (Note 9(a))	(568,809)	(596,386)	-	-
Impairment loss/(reversal of impairment loss) on quoted securities (Note 9(a))	230,002	(223,002)	-	-
Provision for diminution of investment in subsidiary (Note 9(a))	-	-	4,751,375	-
Provision for defect liabilities (Note 9(a))	973,689	989,186	-	-
Write-down of inventories (Note 9(a))	2,204,626	1,398,482	-	-
Share of profit of associates	(2,591,693)	(3,146,332)	-	-

Metronic Global Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 31 December 2008 (cont'd.)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from operating activities (cont'd.)				
Finance costs (Note 8)	702,761	454,591	-	21,989
Interest income (Note 7)	(296,922)	(259,579)	(40,086)	(53,952)
Operating (loss)/profit before working capital changes	(2,162,371)	1,891,655	(749,121)	(961,987)
Changes in working capital:				
Inventories	87,645	(1,083,251)	-	-
Receivables	8,019,854	5,994,495	1,186,794	(4,227,875)
Payables	(6,908,872)	(11,407,669)	(359,800)	5,268,604
Net cash (used in)/generated from operations	(963,744)	(4,604,770)	77,873	78,742
Taxes paid	(582,941)	(2,945,536)	-	-
Interests paid	(702,761)	(454,591)	-	(21,989)
Interests received	296,922	259,579	40,086	53,952
Net cash (used in)/generated from operating activities	(1,952,524)	(7,745,318)	117,959	110,705
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note 16(a)(i)/ Note 16(b))	-	(240,677)	(58)	(504,214)
Subscription of shares in subsidiaries by the Company (Notes 16(a)(ii) and (iii)/ Note 16(d))	-	-	(202,537)	(1,633,556)
Subscription of shares in subsidiaries by minority shareholders	1,093	151,084	-	-
Investment in associates (Note 17(b))	-	(2,137,706)	-	(2,137,706)
Development costs	-	(1,022,652)	-	-
Purchase of property, plant and equipment (Note 13)	(266,001)	(282,090)	-	-
Purchase of intangible assets (Note 15)	(413,500)	(309,240)	-	-
Proceeds from disposal of property, plant and equipment	8,043	20,105	-	-

Metronic Global Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 31 December 2008 (cont'd.)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from investing activities (cont'd.)				
Proceeds from disposal of marketable securities	129,748	378,059	-	-
Net cash used in investing activities	<u>(540,617)</u>	<u>(3,443,117)</u>	<u>(202,595)</u>	<u>(4,275,476)</u>
Cash flows from financing activities				
Net proceeds from issuance of shares	-	4,300,089	-	4,300,089
Placement of fixed deposits under lien with licensed bank	(802,934)	(554,669)	(39,354)	(39,185)
Repayment of bankers' acceptances	(16,810,594)	(9,186,122)	-	-
Drawdown of bankers' acceptances	15,866,507	13,541,614	-	-
Drawdown of short term loans	6,550,771	-	-	-
Repayment of short term loans	(621,752)	(1,360,112)	-	-
Repayment of hire purchase payables	<u>(17,455)</u>	<u>(23,237)</u>	<u>-</u>	<u>-</u>
Net cash generated from/ (used in) financing activities	<u>4,164,543</u>	<u>6,717,563</u>	<u>(39,354)</u>	<u>4,260,904</u>
Net increase/(decrease) in cash and cash equivalents	1,671,402	(4,470,872)	(123,990)	96,133
Effects of foreign exchange rate changes	(134,329)	(10,700)	-	-
Cash and cash equivalents at beginning of the year	<u>(605,530)</u>	<u>3,876,042</u>	<u>323,435</u>	<u>227,302</u>
Cash and cash equivalents at end of the year (Note 25)	<u>931,543</u>	<u>(605,530)</u>	<u>199,445</u>	<u>323,435</u>

Metronic Global Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 31 December 2008 (cont'd.)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and cash equivalents at the balance sheet date comprise the following:				
Cash and bank balances	2,791,213	2,874,676	199,445	323,435
Bank overdraft (Note 31)	(1,859,670)	(3,480,206)	-	-
	<u>931,543</u>	<u>(605,530)</u>	<u>199,445</u>	<u>323,435</u>

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

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

Notes to the financial statements - 31 December 2008

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board 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 Ideal Ultimate Sdn. Bhd. and incorporated a new wholly owned foreign subsidiary, namely, Metronic Vietnam Company Limited.

The principal activities and intended principal activities of these new subsidiaries have been disclosed in Note 16 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 2009.

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 financial statements are presented in Ringgit Malaysia (RM).

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 all 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.

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

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.)

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.

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 gain 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.

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

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 difference between net disposal proceeds and the carrying amount is included in profit or loss.

(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.

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

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 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 expenditures which do not meet these criteria are expensed when incurred.

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

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

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.)

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%

Leasehold building is depreciated over the estimated useful life of 50 years.

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.

2. Significant accounting policies (cont'd.)

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

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

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 losses.

(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, computer servers, 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 contract costs incurred for work performed to date to the estimated total contract costs.

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

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

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

2. Significant accounting policies (cont'd.)

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

(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.

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.

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

2. Significant accounting policies (cont'd.)

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

(h) Impairment of non-financial assets (cont'd.)

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.

(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.

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

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 operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, 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.

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

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

The result 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 operations 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:

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

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.

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

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).

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

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.

(o) Financial instruments

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

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

2. Significant accounting policies (cont'd.)

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

(o) Financial Instruments (cont'd.)

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

(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.

(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.

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

2. Significant accounting policies (cont'd.)

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

(o) Financial instruments (cont'd.)

(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.

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 carried at cost less any accumulated depreciation and any accumulated impairment loss.

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.

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

3. Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 January 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and Interpretations:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129/2004 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and the Company.

3.1 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

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

3.1. Standards and interpretations issued but not yet effective (cont'd.)

FRS and interpretations		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments : Recognition and 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

The above FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application, except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8, and possibly certain financial impact from the adoption of FRS 139.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

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:

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

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

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

(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 performed 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 8% variance in the Group's revenue. A 10% deference in the estimated total engineering contracts would result in approximately 9% variance in the Group's cost of sales.

(ii) Impairment of development costs

During the current financial year, the Group carried out impairment tests in respect of its development costs included within intangible assets, based on a variety of estimations including the value-in-use of the CGU to which the development costs are allocated. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of development costs of the Group as at 31 December 2008 is RM2,242,395 (2007: RM3,233,588).

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.

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

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 bad debts, management has considered certain outstanding receivables aged over the normal credit period given to customers.

Related party debtors and other trade debtors

The outstanding debts from a related party, as disclosed in Note 22 (a)(i), amounted to RM37,559,119, (2007: RM52,607,537) is over the normal credit period given to customers. These debts are due for work completed as sub-contractors to the related party, being the main contractor, on federal public sector projects for the Government of Malaysia.

There are also balances due from certain group of debtors of RM1,565,033 (2007: RM1,565,033) which relate to work performed by the Group on a number of the above-mentioned projects, as disclosed in Note 22 (a)(ii).

Management considered these amounts recoverable, as the Group has obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payment from the relevant authorities.

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 RM984,924 (2007: RM1,193,007) 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.

(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.

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

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

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

(v) Impairment of investment in associates

The Group determines whether the carrying amounts of investment in associates are impaired at 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 7% to 20% 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.

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 RM4,751,375 for the current financial year.

Metronic Global Berhad
(Incorporated in Malaysia)

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

(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 5 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	
	2008	2007	2008	2007
	RM	RM	RM	RM
		(restated)		
Contract work	38,771,061	43,451,295	-	-
Maintenance services	8,205,861	6,501,969	-	-
Sale of equipment	2,122,621	2,438,580	-	-
Administration and consultancy services	2,562,432	302,991	-	-
	<u>51,661,975</u>	<u>52,694,835</u>	<u>-</u>	<u>-</u>

6. Cost of sales

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
		(restated)		
Contract costs (Note 23)	35,605,631	36,761,622	-	-
Maintenance services	2,589,398	1,912,890	-	-
Cost of equipment sold	1,256,767	1,304,694	-	-
	<u>39,451,796</u>	<u>39,979,206</u>	<u>-</u>	<u>-</u>

Metronic Global Berhad
(Incorporated in Malaysia)

7. Other income

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Interest income	296,922	259,579	40,086	53,952
Gain on disposal of property, plant and equipment	347	-	-	-
Gain on disposal of quoted securities	94,748	283,059	-	-
Gain on disposal of subsidiary	-	-	-	1,160,105
Rental income	24,000	24,000	-	-
Interest from overdue debtors	111,969	-	-	-
Processing fee income	4,904	155	-	-
Miscellaneous	7,720	84,000	-	-
	<u>540,610</u>	<u>650,793</u>	<u>40,086</u>	<u>1,214,057</u>

8. Finance costs

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Interest expense on:				
Revolving credit	165,376	85,661	-	-
Bank overdraft	165,972	113,604	-	-
Bankers' acceptances	366,906	228,830	-	-
Hire purchase payables	4,507	4,507	-	-
Other interest	-	21,989	-	21,989
Total interest expense	<u>702,761</u>	<u>454,591</u>	<u>-</u>	<u>21,989</u>

Metronic Global Berhad
(Incorporated in Malaysia)

9. (Loss)/profit before taxation

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
(a) After charging/ (crediting):				
Staff costs (Note 9(c))	10,374,550	9,221,121	-	-
Auditors' remuneration				
Statutory audits:				
- parent auditors	151,000	138,000	58,000	43,000
- other auditors	80,545	75,345	-	-
- under provision in prior year	27,400	-	10,000	-
Depreciation of property, plant and equipment (Note 13)	614,075	604,825	-	-
Amortisation of intangible assets (Note 15)	975,658	816,181	-	-
Write-off of intangible assets (Note 15)	254,975	5,766	-	-
Directors' emoluments (Note 9(b))	1,155,585	954,568	110,000	108,000
Rental income	(24,000)	(24,000)	-	-
Rental expense	487,294	177,197	12,000	12,000
Foreign exchange (gains)/losses				
- realised	565,096	(89,788)	12,449	(246)
- unrealised	(415,594)	(44,528)	10,650	-
Provision for doubtful debts	3,811,172	897,740	-	-
Impairment loss/ (reversal of impairment loss) on quoted securities	230,002	(223,002)	-	-
Depreciation of investment properties (Note 14)	5,267	5,267	-	-

Metronic Global Berhad
(Incorporated in Malaysia)

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
(a) After charging/(crediting)				
(cont'd.):				
Provision for defect liabilities	973,689	989,186	-	-
Provision for diminution of investment in subsidiaries	-	-	4,751,375	-
Write-down of inventories	2,204,626	1,398,482	-	-
Interest income				
- short term deposits	(290,547)	(249,079)	(40,086)	(53,952)
- loan stocks	(6,375)	(10,500)	-	-
Gain on disposal of quoted securities	(94,748)	(283,059)	-	-
(Gain)/loss on disposal of property, plant and equipment	(347)	4,648	-	-
Gain on disposal of subsidiary	-	-	-	(1,160,105)
Bad debts written off	-	148,723	-	148,723
Write back of provision for doubtful debts	(568,809)	(596,386)	-	-
	<u>(568,809)</u>	<u>(596,386)</u>	<u>-</u>	<u>-</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
(b) Directors' remuneration:				
(i) Executive directors' remuneration				
Fees	191,562	36,000	36,000	36,000
Defined contribution benefit (EPF)	83,328	91,621	-	-
Other emoluments	806,695	754,947	-	-
	<u>1,081,585</u>	<u>882,568</u>	<u>36,000</u>	<u>36,000</u>
Non-executive directors' remuneration				
Fees	74,000	72,000	74,000	72,000
	<u>74,000</u>	<u>72,000</u>	<u>74,000</u>	<u>72,000</u>
Total directors' remuneration	<u>1,155,585</u>	<u>954,568</u>	<u>110,000</u>	<u>108,000</u>

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
(ii) Directors of the Company				
Executive:				
Defined contribution benefit (EPF)	73,584	73,440	-	-
Other emoluments	629,420	629,564	-	-
Fees	36,000	36,000	36,000	36,000
	<u>739,004</u>	<u>739,004</u>	<u>36,000</u>	<u>36,000</u>
Non-Executive:				
Fees	74,000	72,000	74,000	72,000
	<u>74,000</u>	<u>72,000</u>	<u>74,000</u>	<u>72,000</u>
Total	<u>813,004</u>	<u>811,004</u>	<u>110,000</u>	<u>108,000</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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	
	2008	2007
Executive directors:		
Below RM50,000	1	1
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	1	1
RM250,001 - RM300,000	1	1
Non-Executive directors:		
Below RM50,000	4	3

(c) Employee information

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Staff costs (excluding directors' emoluments)				
Salary, wages and bonus	8,159,081	7,429,927	-	-
Termination benefits	-	147,188	-	-
Defined contribution benefit (EPF)	1,035,742	833,179	-	-
Other staff related expenses	1,179,727	810,827	-	-
	<u>10,374,550</u>	<u>9,221,121</u>	<u>-</u>	<u>-</u>

Metronic Global Berhad
(Incorporated in Malaysia)

10. Income tax expense

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Malaysian taxation based on the results for the year:				
- Current	108,000	1,171,337	-	-
- Under/(over) provision in prior years	10,375	(22,352)	-	(93,998)
Deferred tax (Note 20)				
- relating to origination and reversal of temporary differences	(782,935)	(234,868)	-	-
- Overprovision in prior year	(9,722)	(114,000)	-	-
- Relating to changes in tax rates	17,710	54,000	-	-
	<u>(656,572)</u>	<u>854,117</u>	<u>-</u>	<u>(93,998)</u>

Metronic Global Berhad
(Incorporated in Malaysia)

10. Income tax expense (cont'd.)

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	
	2008	2007	2008	2007
	RM	RM	RM	RM
(Loss)/profit before taxation	(7,966,483)	1,267,855	(5,471,060)	230,081
Taxation at the statutory tax rate of 26% (2007: 27%)	(2,071,286)	342,321	(1,422,476)	62,122
Effect of different tax rate in subsidiaries	142,313	68,014	-	-
Effect of expenses not deductible for tax purposes	1,860,510	1,478,446	1,335,235	255,093
Utilisation of previously unrecognised tax losses	(67,357)	-	-	-
Utilisation of previously unrecognised unabsorbed capital allowances	(34,288)	-	-	-
Effects of share of profit of associates	(673,840)	(849,509)	-	-
Effect of income not subject to tax	(24,824)	(482,501)	(190)	(317,215)
Under/(over) provision of tax expense in prior years	10,375	(22,352)	-	(93,998)
Overprovision of deferred tax in prior year	(9,722)	(114,000)	-	-
Deferred tax assets not recognised	193,837	379,698	87,431	-
Deferred tax recognised at different tax rates	17,710	54,000	-	-
	<u>(656,572)</u>	<u>854,117</u>	<u>-</u>	<u>(93,998)</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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.

	2008	2007
(Loss)/profit attributable to ordinary equity holders of the Company	(7,260,285)	988,055
Weighted average number of ordinary shares in issue	<u>634,906,903</u>	<u>596,215,828</u>
Basic/diluted (loss)/earnings per share (sen)	<u>(1.14)</u>	<u>0.17</u>

12. Dividends

The directors do not propose the payment of any dividend in respect of the current financial year ended 31 December 2008.

Metronic Global Berhad
(Incorporated in Malaysia)

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 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>

The freehold land and buildings with a total net carrying value of RM5,231,376 (2007: RM5,323,441) are charged to licensed banks for banking facilities granted to the Group (Note 31 and Note 34).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM83,906 (2007: RM116,202).

Metronic Global Berhad
(Incorporated in Malaysia)

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 2007 RM
Cost							
At 1 January 2007	1,223,566	4,440,919	4,250,058	306,519	2,386,837	581,982	13,189,881
Additions	-	-	-	-	221,819	60,271	282,090
Disposals	-	-	-	(3,893)	(41,665)	-	(45,558)
Acquisition of subsidiaries (Note 16)	-	-	-	20,708	3,877	-	24,585
Exchange differences	-	-	47,585	-	2,506	564	50,655
At 31 December 2007	<u>1,223,566</u>	<u>4,440,919</u>	<u>4,297,643</u>	<u>323,334</u>	<u>2,573,374</u>	<u>642,817</u>	<u>13,501,653</u>
Accumulated depreciation and impairment							
At 1 January 2007	-	248,979	123,971	138,889	1,495,074	63,611	2,070,524
Depreciation charge for the year (Note 9(a))	-	92,065	85,611	49,576	350,140	27,433	604,825
Disposals	-	-	-	(3,115)	(17,690)	-	(20,805)
Exchange differences	-	-	26,788	-	604	53	27,445
At 31 December 2007	<u>-</u>	<u>341,044</u>	<u>236,370</u>	<u>185,350</u>	<u>1,828,128</u>	<u>91,097</u>	<u>2,681,989</u>
Net book value							
As at 31 December 2007	<u>1,223,566</u>	<u>4,099,875</u>	<u>4,061,273</u>	<u>137,984</u>	<u>745,246</u>	<u>551,720</u>	<u>10,819,664</u>

The freehold land and buildings with a total net carrying value of RM5,323,441 (2006: RM5,415,506) are charged to licensed banks for banking facilities granted to the Group (Note 31 and Note 34).

Included in motor vehicles are assets purchased under hire purchase contracts with an aggregate net book value of RM116,202 (2006: RM151,577).

Metronic Global Berhad
(Incorporated in Malaysia)

14. Investment properties

	Freehold land RM	Freehold building RM	Leasehold building RM	Total RM
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	-	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
Cost				
At 1 January 2007/ At 31 December 2007	245,909	179,644	362,979	788,532
Accumulated depreciation and accumulated impairment losses				
At 1 January 2007	95,909	39,363	253,510	388,782
Depreciation charge	-	3,000	2,267	5,267
Reclassification	-	(9,719)	9,719	-
At 31 December 2007	95,909	32,644	265,496	394,049
Net carrying value				
At 31 December 2007	150,000	147,000	97,483	394,483

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

Metronic Global Berhad
(Incorporated in Malaysia)

14. Investment properties (cont'd.)

The following investment properties are held under lease terms:

	Group	
	2008	2007
	RM	RM
Leasehold building	95,216	97,483

All investment properties are pledged as securities for borrowings (Note 31).

15. Intangible assets

Group	Software	Development	Goodwill	Total
	RM	Costs		
		(Note 15(a))		
	RM	RM	RM	RM
Cost				
At 1 January 2007	693,426	2,913,415	-	3,606,841
Additions				
- internal development	-	1,022,652	-	1,022,652
- purchased	309,240	-	-	309,240
- acquired subsidiary	-	-	5,766	5,766
Write-off	-	-	(5,766)	(5,766)
At 31 December 2007				
and 1 January 2008	1,002,666	3,936,067	-	4,938,733
Additions				
- purchased	413,500	-	-	413,500
Write-off	-	(254,975)	-	(254,975)
At 31 December 2008	1,416,166	3,681,092	-	5,097,258
Accumulated				
Amortisation				
and Impairment				
At 1 January 2007	354,165	57,445	-	411,610
Amortisation	171,147	645,034	-	816,181
At 31 December 2007				
and 1 January 2008	525,312	702,479	-	1,227,791
Amortisation	239,440	736,218	-	975,658
At 31 December 2008	764,752	1,438,697	-	2,203,449
Net carrying amount				
As at 31 December 2008	651,414	2,242,395	-	2,893,809
As at 31 December 2007	477,354	3,233,588	-	3,710,942

Metronic Global Berhad
(Incorporated in Malaysia)

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 development costs for the Energy Smart Gateway Controller have been written off during the financial year.

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	
	2008	2007
	%	%
Budgeted gross margin	15.0 - 40.0	15.0 - 40.0
Growth rate	10.0 - 25.0	10.0 - 55.0
Discount rate	<u>7.0</u>	<u>7.0</u>

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of development costs:

(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.

Metronic Global Berhad
(Incorporated in Malaysia)

16. Investment in subsidiaries

	Company	
	2008	2007
	RM	RM
Unquoted shares, at cost		
In Malaysia,	23,021,993	23,021,935
Outside Malaysia	6,250,282	6,445,276
	<u>29,272,275</u>	<u>29,467,211</u>
Less: Accumulated impairment losses	(4,751,375)	-
	<u>24,520,900</u>	<u>29,467,211</u>

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Equity interest held		Principal activities
		2008	2007	
		%	%	
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 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.

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

16. Investment in subsidiaries (cont'd.)

Name of Company	Country of incorporation	Equity Interest held		Principal activities
		2008 %	2007 %	
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 Limited	Australia	60	60	Dormant.

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

16. Investment in subsidiaries (cont'd.)

Name of Company	Country of incorporation	Equity interest held		Principal activities
		2008 %	2007 %	
Adprima Sdn. Bhd.	Malaysia	60	60	Consultancy services on management, engineering and information technology.
Securetrax Solutions Private Limited*	Singapore	99	99	Development, production and marketing of products relating to home land security.
Ideal Ultimate Sdn. Bhd.	Malaysia	58	-	Currently dormant. Intended activities are development and commercialisation of the Optical Fiber Perimeter Security System.
Metronic Vietnam Company Limited*	Vietnam	100	-	Currently dormant. Intended activities are design, production and sales of engineering systems for the information and communication technology industry, specialising in intelligent management system and integrated security management system.

* Audited by firms of auditors other than Ernst & Young

(a) Acquisition and incorporation of subsidiaries in the year ended 31 December 2008:

- (i) Effective on 17 December 2008, the Company holds a 58% equity interest in Ideal Ultimate Sdn Bhd ("Ideal Ultimate") via an acquisition of 1 ordinary shares and subscription to 57 ordinary shares of RM1.00 each in Ideal Ultimate for a total cash consideration of RM58.

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

16. Investment in subsidiaries (cont'd.)

(a) Acquisition and incorporation of subsidiaries in the year ended 31 December 2008: (Cont'd.)

- (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.
- (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 to the Group. Accordingly, no disclosure on financial effects is made.

(b) Acquisition of subsidiaries in the previous year ended 31 December 2007:

- (i) On 11 July 2007, the Company acquired 120,000 ordinary shares of RM1.00 each in Adprima Sdn Bhd ("Adprima") for a total cash consideration of RM162,500, representing a 60% equity interest in Adprima.
- (ii) On 8 May 2007, the Company acquired 10,000 ordinary shares of Hong Kong Dollar ("HK\$") 1.00 each in Hong Kong Broadway Electronics Company Limited ("HK Broadway"), representing 100% equity interest in HK Broadway for a purchase consideration of RMB15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) satisfied by the issuance of 23,041,474 new ordinary shares of Metronc Global Berhad of RM0.10 each at RM0.30 per share. The published share price of Metronic Global Berhad at the time of issuance was RM0.43 per share.

The published price existing at the date of exchange was not used as the issue price of RM0.30 per share had been mutually agreed between the Company and the vendor. The issue price of RM0.30 per share represented a premium of RM0.03 or approximately 11% over the volume weighted average market price of the Company's share of RM0.27 for the five business days preceding 29 June 2006, being the date of signing of the Heads of Agreement for the acquisition. The aggregate amount of the difference between the issue price and the published price of the Company's shares was RM2,995,392.

Metronic Global Berhad
(Incorporated in Malaysia)

16. Investment in subsidiaries (cont'd.)

(b) Acquisition of subsidiaries in the previous year ended 31 December 2007: (cont'd.)

(iii) On 31 December 2007, the Company disposed of 100% equity interest in HK Broadway; in consideration, the Company acquired 125 ordinary shares of HK\$1.00 each in Unilink Development Limited ("Unilink") representing 12.5% equity interest in Unilink for a consideration of RM8,414,260. Details of the disposal of HK Broadway and acquisition of Unilink are set out in Note(d) below and Note 17.

The cost of acquisition comprised of the following:

	RM
Purchase consideration satisfied by cash	162,500
Ordinary shares issued, at fair value (Note 26)	6,912,442
Costs attributable to the acquisition, paid in cash	341,714
Total cost of acquisition	<u>7,416,656</u>

The financial results of the subsidiaries acquired and included in the consolidated financial statements for the year ended 31 December 2007:

	2007 RM
Income statement	
Revenue	15,500
Share of profit of associates	1,091,325
Profit before taxation	<u>1,049,922</u>

If the acquisitions had occurred on 1 January 2007, the contribution of the subsidiaries to the Group's revenue and profit for the year would have been RM106,000 and RM1,309,253 respectively. The profit for the year includes RM1,365,092 of share of profit of associates.

The fair values of the assets and liabilities assumed at the date of acquisition approximate their carrying amounts. The assets and liabilities arising from the acquisition of subsidiaries are as follows:

	2007 RM
Property, plant and equipment (Note 13)	24,585
Investment in associates	3,542,725
Trade and other receivables	43,492
Cash and bank balances	263,537
	<u>3,874,339</u>

Metronic Global Berhad
(Incorporated in Malaysia)

16. Investment in subsidiaries (cont'd.)

(b) Acquisition of subsidiaries in the previous year ended 31 December 2007: (cont'd.)

	RM
Trade and other payables	74,613
Deferred tax liabilities (Note 20)	2,428
	<u>77,041</u>
Fair value of net assets	3,797,298
Less: Minority interests	<u>(104,489)</u>
Group's share of net assets	3,692,809
Goodwill on acquisition	<u>3,723,847</u>
Total cost of acquisition	<u>7,416,656</u>
The cash outflow on acquisition is as follows:	
Purchase consideration satisfied by cash	162,500
Costs attributable to the acquisition, paid in cash	<u>341,714</u>
Total cash outflow of the Company	504,214
Cash and cash equivalents of subsidiaries acquired	<u>(263,537)</u>
Net cash outflow of the Group	<u>240,677</u>

(c) Incorporation of and additional investment in subsidiaries in the previous year ended 31 December 2007:

- (i) On 30 April 2007, the Company subscribed to 49,500 new ordinary shares of Singapore Dollar ("S\$") 1.00 each in Securetrax Solutions Pte Ltd ("Securetrax") for a total consideration of S\$49,500 (equivalent to RM113,578), representing a 99% equity interest in Securetrax.

Securetrax further increased its ordinary share capital from 50,000 to 250,000 ordinary shares via issuance of additional 200,000 ordinary shares of S\$1.00 each for cash during the period. The Company subscribed to 198,000 of the said ordinary shares of S\$1.00 each for a cash consideration of S\$198,000 (equivalent to RM441,837), thus maintaining its 99% equity interest in Securetrax.

During the period, the Company further invested an amount of S\$198,000 (equivalent to RM455,209) in Securetrax. The fund was held by Securetrax as share application money as at 31 December 2007. Securetrax intended to increase its ordinary share capital from 250,000 to 450,000 ordinary shares via issuance of additional 200,000 ordinary shares of S\$1.00 each subsequent to the year ended 31 December 2007. Securetrax shall allot 198,000 new ordinary shares of S\$1.00 each to the Company, thus maintaining the Company's 99% equity interest in Securetrax.

Metronic Global Berhad
(Incorporated in Malaysia)

16. Investment in subsidiaries (cont'd.)

- (c) Incorporation of and additional investment in subsidiaries for in the previous year ended 31 December 2007: (cont'd.)
- (ii) On 3 December 2007, the Company incorporated a foreign subsidiary in the Kingdom of Saudi Arabia ("KSA") via a subscription of 450,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each representing 90% equity interest in Metronic Saudi Arabia LLC ("MSA") for a total cash consideration of SAR450,000 (equivalent to RM397,530).
- (iii) During the financial year, the Company further invested an amount of Indian Rupee ("Rs") 2,800,000 (equivalent to RM225,402) in Metronic Engineering Private Limited ("MEPL"), an existing subsidiary of the Company incorporated in India. The fund was held by MEPL as share application money as at 31 December 2007. MEPL intended to increase its ordinary share capital from 100,000 to 500,000 ordinary shares via issuance of additional 400,000 ordinary shares at Rs10 each subsequent to the year ended 31 December 2007. MEPL shall allot 280,000 new ordinary shares of Rs10 each to the Company, thus maintaining the Company's 70% equity interest in MEPL.
- (d) Disposal of a subsidiary in the previous year ended 31 December 2007:

On 31 December 2007, the Company disposed 100% equity interest in HK Broadway; in consideration, the Company acquired 125 ordinary shares of HK\$1.00 each in Unilink Development Limited ("Unilink") representing 12.5% equity interest in Unilink for a consideration of RM8,414,260.

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

	Group	Company
	31.12.2007	31.12.2007
	RM	RM
Investment in subsidiary	-	7,254,155
Investment in associates	4,707,216	-
Other payables	(11,037)	-
Fair value of net assets	4,696,179	7,254,155
Goodwill	3,718,081	-
	<u>8,414,260</u>	<u>7,254,155</u>
Total disposal consideration	<u>(8,414,260)</u>	<u>(8,414,260)</u>
Gain on disposal	<u>-</u>	<u>(1,160,105)</u>

Metronic Global Berhad
(Incorporated in Malaysia)

17. Investment in associates

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unquoted shares, at cost:				
In Malaysia	5,845,993	5,845,993	5,845,993	5,845,993
Outside Malaysia	15,668,416	15,668,416	15,668,416	15,668,416
	<u>21,514,409</u>	<u>21,514,409</u>	<u>21,514,409</u>	<u>21,514,409</u>
Share of post-acquisition reserves	4,874,221	2,282,528	-	-
Exchange differences	1,535,486	(110,521)	-	-
	<u>27,924,116</u>	<u>23,686,416</u>	<u>21,514,409</u>	<u>21,514,409</u>

Details of the associates are as follows:

Name of company	Country of incorporation	Equity interest held		Voting power held		Principal activities
		2008	2007	2008	2007	
		%	%	%	%	
Held by the Company:						
Unilink Development Limited	Hong Kong	25	25	25	25	Investment holding.
Ariantec Sdn. Bhd.	Malaysia	40	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) There was no new investment in associates for the year ended 31 December 2008.

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

17. Investment in associates (cont'd.)

(b) Investment in associates in the previous year ended 31 December 2007 are as follows:

- (i) On 8 May 2007, the Company acquired 125 ordinary shares of Hong Kong Dollar ("HK\$") 1.00 each in Unilink Development Limited ("Unilink") representing a 12.5% equity interest in Unilink for a purchase consideration of Renminbi ("RMB") 15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) satisfied by the issuance of 23,041,474 new ordinary shares of RM0.10 each at an issue price of RM0.30 per share. The transaction costs incurred for this acquisition amounted to RM341,713.

On 31 December 2007, the Company acquired an additional 125 ordinary shares of HK\$ 1.00 each in Unilink, representing a 12.5% equity interest in Unilink. In consideration, the Company disposed of 10,000 ordinary shares of HK\$1.00 each in HK Broadway representing a 100% equity interest in HK Broadway for a consideration of RM8,414,260. Details of the disposal of HK Broadway are set out in Note 16(d).

The results of Unilink were consolidated using the equity method of accounting from the date of purchase. Although the Group held less than 20% equity interest in Unilink prior to 31 December 2007, the Group exercised significant influence as two out of four directors on the Board of Directors of this associated company represented the Company since 8 May 2007. With effect from 1 October 2007, two out of six directors on the Board of Directors of this associated company represented the Company. Additionally, the Company has an existing contractual right to acquire up to 48.73% of equity interest based on a call option agreement with the existing shareholders of Unilink.

- (ii) On 20 July 2007, the Company acquired 600,000 ordinary shares of RM1.00 each in Ariantec Sdn. Bhd. ("Ariantec") representing a 40% equity interest in Ariantec for a cash consideration of RM5,400,000. The Company had also entered into a Put Option Agreement with the existing shareholders of Ariantec whereby the Company has the option to sell the 600,000 ordinary shares back to the existing shareholders for a cash consideration of RM5,400,000 in the event that the existing 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. In 2007, the Company paid a part cash consideration of RM1,350,000 and the remaining balance is to be payable upon Ariantec achieving the profit guarantee. The transaction costs incurred for this acquisition amounted to RM45,993. No further cash consideration was paid in 2008 yet.

In 2007, Ariantec increased its ordinary share capital from 1,500,000 to 2,500,000 ordinary shares via issuance of additional 1,000,000 ordinary shares at RM1 each for cash. The Company subscribed for 400,000 of the said ordinary shares at RM1 each for a cash consideration of RM400,000, thus maintaining its 40% equity interest in Ariantec.

Metronic Global Berhad
(Incorporated in Malaysia)

17. Investment in associates (cont'd.)

The summarised financial information of the associates are as follows:

	2008	2007
	RM	RM
Assets and liabilities		
Current assets	87,439,472	51,000,192
Non-current assets	44,255,407	53,083,040
Total assets	<u>131,694,879</u>	<u>104,083,232</u>
Current liabilities	46,340,547	51,881,814
Non-current liabilities	17,642,861	-
Total liabilities	<u>63,983,408</u>	<u>51,881,814</u>
Income statement		
Revenue	285,980,377	475,519,928
Profit for the year	<u>7,602,154</u>	<u>13,035,865</u>

18. Investment in jointly controlled entity

	Company
	2008
	RM
Unquoted shares, at cost:	
Outside Malaysia	<u>220,850</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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

Name of company	Country of incorporation	Equity interest held		Principal activities
		2008 %	2007 %	
Metronic Saudi Arabia Limited Liability Company	Kingdom of Saudi Arabia	50	90	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.

During the financial year, the Company disposed 200,000 shares of Saudi Arabian Riyal ("SAR") 1.00 each in Metronic Saudi Arabia LLC ("MSA"), representing 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 became a jointly controlled entity of the Company.

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 follow:

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

Metronic Global Berhad
(Incorporated in Malaysia)

19. Other investments

	Group	
	2008	2007
	RM	RM
Quoted securities in Malaysia:		
Quoted shares, at cost	979,165	979,165
Irredeemable convertible unsecured loan stocks, at cost	80,000	115,000
Impairment loss	(743,683)	(513,681)
	<u>315,482</u>	<u>580,484</u>
Golf club membership	94,000	94,000
	<u>409,482</u>	<u>674,484</u>
Market value of quoted securities	<u>504,282</u>	<u>1,224,485</u>

20. Deferred tax

	Group	
	2008	2007
	RM	RM
At 1 January	1,663,440	1,371,000
Recognised in income statement (Note 10)	774,947	294,868
Foreign currency translation reserve	(3,011)	-
Acquisition of subsidiary (Note 16)	-	(2,428)
At 31 December	<u>2,435,376</u>	<u>1,663,440</u>

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

Deferred tax liabilities of the Group:

	Property, plant and equipment	Total
	RM	RM
At 1 January 2008	93,906	93,906
Recognised in income statement	(28,722)	(28,722)
Foreign currency translation reserve	(650)	(650)
At 31 December 2008	<u>64,534</u>	<u>64,534</u>

Metronic Global Berhad
(Incorporated in Malaysia)

20. Deferred tax (cont'd.)

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

	Property, plant and equipment RM	Total RM
At 1 January 2007	179,000	179,000
Recognised in income statement	(89,353)	(89,353)
Acquisition of subsidiary (Note 16)	4,259	4,259
At 31 December 2007	<u>93,906</u>	<u>93,906</u>

Deferred tax assets of the Group:

	Provision for defect liabilities RM	Receivables RM	Others RM	Total RM
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 reserve	-	-	(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>
At 1 January 2007	750,000	680,000	120,000	1,550,000
Recognised in income statement	162,000	(107,000)	150,515	205,515
Acquisition of subsidiary (Note 16)	-	-	1,831	1,831
At 31 December 2007	<u>912,000</u>	<u>573,000</u>	<u>272,346</u>	<u>1,757,346</u>

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

	Group 2008 RM	2007 RM
Unused tax losses	765,417	607,310
Unabsorbed capital allowances	33,367	26,359
	<u>798,784</u>	<u>633,669</u>

Metronic Global Berhad
(Incorporated in Malaysia)

20. Deferred tax (cont'd.)

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.

21. Inventories

	Group	
	2008	2007
	RM	RM
At cost		
Building automation equipment and parts	1,624,813	1,898,889
Raw materials	63,675	484,476
Finished goods	424,149	127,721
Computer servers	-	2,003,308
	<u>2,112,637</u>	<u>4,514,394</u>

22. Trade and other receivables

(a) Trade receivables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivables	9,876,978	4,802,442	-	-
Progress billings receivable	56,972,670	76,036,001	-	-
Due from customers on contracts (Note 23)	11,955,608	7,490,524	-	-
Advances to sub contractors	-	12,145	-	-
Retention sums on contracts (Note 23)	15,830,300	15,464,035	-	-
	<u>94,635,556</u>	<u>103,805,147</u>	<u>-</u>	<u>-</u>
Allowance for doubtful debts	<u>(8,424,372)</u>	<u>(5,726,596)</u>	<u>-</u>	<u>-</u>
	<u>86,211,184</u>	<u>98,078,551</u>	<u>-</u>	<u>-</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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

(a) Trade receivables (cont'd.)

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 RM37,559,119 (2007: RM52,607,537), a company in which the directors of the Company, Dato' Abd. Gani bin Yusof and Tan Sri Dato' Kamaruzzaman bin Shariff are also the directors (a related party as disclosed in Note 32(a)), is over the normal credit period given to customers. These debts are due for work completed as sub-contractors to the related party, being the main contractor, on federal public sector projects for the Government of Malaysia. Management considers these amounts recoverable as the Group has obtained an undertaking from the related party that the outstanding amount will be repaid upon them receiving payments from the relevant authorities; and
- (ii) a balance due from certain group of debtors of RM1,565,033 (2007: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.

The total exposure to the Group as a result of (a) and (b) amounted to RM39,124,152 (2007: 54,172,570).

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

(b) Other receivables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Due from subsidiaries	-	-	18,209,117	20,404,822
Deposits and prepayment	1,834,709	664,652	1,200,000	82,120
Sundry receivables	3,012,678	2,455,871	68,560	177,529
Allowance for doubtful debts	(1,497,062)	(792,281)	-	-
	<u>3,350,325</u>	<u>2,328,242</u>	<u>19,477,677</u>	<u>20,664,471</u>

Included in sundry receivables of the Group is tax recoverable by subsidiaries amounting to RM1,242,092 (2007: RM876,016).

Metronic Global Berhad
(Incorporated in Malaysia)

23. Due from/to customers on contracts

	Group	
	2008	2007
	RM	RM
Contract costs incurred to date	249,205,160	223,353,539
Add: Attributable profits	45,715,888	40,561,236
	<u>294,921,048</u>	<u>263,914,775</u>
Less: Progress billings received and receivable	<u>(285,549,501)</u>	<u>(258,576,909)</u>
	<u>9,371,547</u>	<u>5,337,866</u>
Due from customers on contracts (Note 22(a))	11,955,608	7,490,524
Due to customers on contracts (Note 30(a))	<u>(2,584,061)</u>	<u>(2,152,658)</u>
	<u>9,371,547</u>	<u>5,337,866</u>
Retention sums on contracts, included within trade debtors (Note 22(a))	<u>15,830,300</u>	<u>15,464,035</u>
Advances received on contracts, included within trade payables (Note 30(a))	<u>595,454</u>	<u>309,249</u>
Contract costs recognised as an expense (Note 6)	<u>35,605,631</u>	<u>36,761,622</u>

Included in contract costs recognised as an expense is provision for defect liabilities of RM973,689 (2007: RM989,186) during the year.

24. Short term deposits

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Fixed deposits with licensed banks	<u>8,173,491</u>	<u>7,370,557</u>	<u>1,103,083</u>	<u>1,063,729</u>

All the fixed deposits with licensed banks are pledged as security for banking facilities granted to the Group as disclosed in Note 31 and Note 34.

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

	Interest rate		Maturity	
	2008	2007	2008	2007
	%	%	day	day
Group	3.31	3.31	85	71
Company	<u>3.70</u>	<u>3.70</u>	<u>112</u>	<u>112</u>

Metronic Global Berhad
(Incorporated in Malaysia)

25. 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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and bank balances	2,791,213	2,874,676	199,445	323,435
Bank overdrafts (Note 31)	(1,859,670)	(3,480,206)	-	-
Total cash and cash equivalents	931,543	(605,530)	199,445	323,435

26. Share capital

	Number of ordinary shares of RM0.10 each		Amount	
	2008	2007	2008	2007
			RM	RM
Authorised:				
At 1 January	1,000,000,000	500,000,000	100,000,000	50,000,000
Created during the year	-	500,000,000	-	50,000,000
At 31 December	1,000,000,000	1,000,000,000	100,000,000	100,000,000

	Number of ordinary shares of RM0.10 each	Share capital (issued and fully paid)	Share capital (issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
Issued and fully paid:					
At 1 January 2007	283,540,000	28,354,000	6,406,222	34,760,222	
Ordinary shares issued during the year:					
Issued for cash	12,250,000	1,225,000	3,920,000	5,145,000	
Acquisition of subsidiary (Note 16(b)(ii))	23,041,474	2,304,147	4,608,295	6,912,442	

Metronic Global Berhad
(Incorporated in Malaysia)

26. Share capital (cont'd.)

	Number of ordinary shares of RM0.10 each	← Amount →		
	Share capital (issued and fully paid)	Share capital (issued and fully paid) RM	Share premium RM	
			Total share capital and share premium RM	
Acquisition of associate (Note 17(b)(i))	23,041,474	2,304,147	4,608,295	6,912,442
Pursuant to bonus issue	293,033,955	29,303,396	(18,697,901)	10,605,495
Transaction costs	-	-	(844,911)	(844,911)
At 31 December 2007/ 31 December 2008	<u>634,906,903</u>	<u>63,490,690</u>	<u>-</u>	<u>63,490,690</u>

There was no issuance of shares for the year ended 31 December 2008.

27. 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 operation.

28. Retained profits/(accumulated loss)

As at 31 December 2008, the Company has tax exempt profits available for distribution of approximately RM15,500 (2007: RM14,767), subject to the agreement of the Inland Revenue Board.

Metronic Global Berhad
(Incorporated in Malaysia)

29. Hire purchase payables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Amounts outstanding	83,800	107,037	-	-
Less: Due within twelve months (Note 30)	(17,455)	(23,237)	-	-
Due after twelve months	<u>66,345</u>	<u>83,800</u>	<u>-</u>	<u>-</u>

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

	2008		2007	
	Minimum payments	Present value of liabilities	Minimum payments	Present value of liabilities
	RM	RM	RM	RM
Gross amounts payable				
Not later than 1 year	21,466	17,455	27,744	23,237
More than 1 year but not later than 5 years	84,865	66,345	106,331	83,800
	<u>106,331</u>	<u>83,800</u>	<u>134,075</u>	<u>107,037</u>
Less: Future finance charges	(22,531)	-	(27,038)	-
	<u>83,800</u>	<u>83,800</u>	<u>107,037</u>	<u>107,037</u>

30. Trade and other payables

(a) Trade payables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade payables	42,194,942	49,523,467	-	-
Advances received on contracts (Note 23)	595,454	309,249	-	-
Due to customer on contracts (Note 23)	2,584,061	2,152,658	-	-
	<u>45,374,457</u>	<u>51,985,374</u>	<u>-</u>	<u>-</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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

(a) Trade payables (cont'd.)

Included in the Group's trade payables is the amount owing to sub-contractors and suppliers of RM30,052,159 (2007: RM42,758,466) which relates to work completed for certain federal public sector projects as mentioned in Note 22(a)(i) and Note 22(a)(ii) to the financial statements. In accordance with the agreements with these sub-contractors and suppliers, the amount will be settled only upon the Group's receipt of payments from the debtors. The management is confident of enforcing this payment term with the sub-contractors and suppliers.

(b) Other payables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Other creditors and accruals	9,351,653	9,715,833	4,510,470	5,036,301
Provision for defect liabilities	4,180,733	3,506,461	-	-
Hire purchase creditors (Note 29)	17,455	23,237	-	-
	<u>13,549,841</u>	<u>13,245,531</u>	<u>4,510,470</u>	<u>5,036,301</u>

31. Bank borrowings

	Group	
	2008	2007
	RM	RM
Short term borrowings		
Bank overdraft (secured)	1,859,670	3,480,206
Bankers' acceptances (secured)	4,822,092	5,766,180
Revolving credit (secured)	5,929,020	-
	<u>12,610,782</u>	<u>9,246,386</u>

The bank borrowings are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed banks of RM8,173,491 (2007:RM7,370,557) of the Group as disclosed in Note 13, Note 14 and Note 24. The interest rates on these borrowings range between 4.50% to 8.0% (2006: 4.57% 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.

Metronic Global Berhad
(Incorporated in Malaysia)

32. 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 and outstanding balances arising from related parties during the financial year:

	2008		2007	
	Transactions RM	Balance outstanding RM	Transactions RM	Balance outstanding RM
Group				
Related parties:				
Accounting fee received from Metronic Corporation Sdn. Bhd. ("MCSB") +	-	-	60,000	-
Rental received from MCSB +	12,000	-	12,000	-
Accounting fee received from ITG Worldwide (M) Sdn. Bhd. ##	-	-	24,000	-
Purchases from ITG Worldwide (M) Sdn. Bhd. ##	1,423,904	1,014,171	1,089,255	463,206
Rental received from ITG Worldwide (M) Sdn. Bhd. ##	12,000	-	12,000	-
Contract fee payable to Integrated Commerce Sdn. Bhd. *	-	14,024	-	14,024
Contract and maintenance services receivable from MH Projects Sdn. Bhd. ("MHP") #	680	37,559,119	10,222,414	52,607,537
Maintenance fee receivable from Integrated Commerce Sdn. Bhd. *	67,869	-	91,316	-

Metronic Global Berhad
(Incorporated in Malaysia)

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

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions and outstanding balances arising from related parties during the financial year (cont'd.):

	2008		2007	
	Transactions	Balance	Transactions	Balance
	RM	outstanding	RM	outstanding
		RM		RM
Group (cont'd.)				
Subcontractor fee payable to Ledtronics Sdn. Bhd.**	-	16,192	-	16,192
Subcontractor fee payable to ER Mekatron Manufacturing Sdn. Bhd. ###	647,115	409,170	2,908,587	1,061,550
Sale of equipment to Edmund Chuah Choong Eng Huat***	62,431	62,431	-	-
Associates:				
Contract revenue receivable from Ariantec Sdn. Bhd.	2,677,393	-	1,297,298	687,298
Purchases and sub-contracting fee payable to Ariantec Sdn. Bhd.	-	-	788,850	32,480
Company				
Subsidiaries:				
Office rental paid	12,000	-	12,000	-

Metronic Global Berhad
(Incorporated in Malaysia)

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

- + 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, 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 are also the directors of this company.
- ## A company in which a director of the Company, Liew Chiap Hong has an interest.
- ### A company in which a director of the Company, Edmund Chuah Choong Eng Huat has an interest.
- * A company in which a director of the Company, Dato' Abd. Gani bin Yusof has an interest.
- ** A company in which a director of the Company, Datuk Subhi Bin Dziauddin is also a director.
- *** A director of the Company, Edmund Chuah Choong Eng Huat

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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short-term employee benefits	998,257	1,125,269	-	-
Post-employment benefits:				
Defined contribution plan	83,328	107,593	-	-
Directors' fees	74,000	72,000	110,000	108,000
	<u>1,155,585</u>	<u>1,304,862</u>	<u>110,000</u>	<u>108,000</u>

Metronic Global Berhad
(Incorporated in Malaysia)

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

(b) Compensation of key management personnel (cont'd.)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Included in the total key management personnel are:				
Directors' remuneration (Note 9 (b))	1,155,585	954,568	110,000	108,000

33. Capital commitments

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Approved and contracted for:				
- Investments in unquoted shares, outside Malaysia	11,642,255	13,715,814	11,642,255	13,715,814

34. Contingent liabilities

	Group	
	2008	2007
	RM	RM
(a) Secured:		
Performance and financial guarantees issued by banks to third parties	10,255,744	10,846,189
Standby Letter of Credit given to licensed banks for credit facilities granted to foreign subsidiaries	2,717,349	1,821,875
	<u>12,973,093</u>	<u>12,668,064</u>

The above bank guarantees and letter of credit are secured on the freehold land and buildings, leasehold buildings and all the fixed deposits with licensed bank of RM7,070,407 (2007: 6,306,827) of the Company as disclosed in Note 13 and Note 24.

Metronic Global Berhad
(Incorporated in Malaysia)

34. Contingent liabilities (cont'd.)

	Group	
	2008	2007
	RM	RM
(b) Unsecured:		
Litigation, claims and legal suits	<u>2,251,617</u>	<u>2,655,167</u>

- (i) On 15 November 2005, the Company 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 Company and University Teknologi Petronas ("UTP") (second Defendant) is therefore estimated at RM903,550. The dependency claim of RM403,550 has been dismissed, thus reducing the Company and UTP's exposure to RM500,000. An application has been filed to strike-off the outstanding claim which it has yet to be heard.

In the opinion of the Company's solicitors, the Company should have a good arguable case to go to court.

- (ii) On 9 January 2007, the Company through its solicitors, received a Writ of Summons and Statement of Claim issued by CWorks Systems Berhad ("CWorks") claiming an outstanding amount of RM1,751,617 from the Company pursuant to a Software Development Agreement dated 9 May 2005 ("the Agreement") for the development and provision of a software. The maximum exposure to MGB is estimated at RM1,751,617.

CWorks has filed an application for Summary Judgment which is pending hearing.

The Company's solicitors are of the opinion that CWorks' claims are premature in nature and in breach of its own actual obligations and that the prospect of defending the suit is good.

The directors of the Company are of the opinion that the claims above are not probable and therefore no provision has been made as at 31 December 2008.

	Company	
	2008	2007
	RM	RM
(c) Unsecured:		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>64,900,000</u>	<u>51,328,125</u>

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

35. Events subsequent to balance sheet date

- (a) On 6 January 2009, the Company acquired the following shares from Goldis Berhad ("Goldis") for a total cash consideration of RM1,200,000:
 - (i) 750,000 ordinary shares of RM1.00 each in IPanel Malaysia Sdn Bhd ("IPM") representing 75% equity interest in IPM for a cash consideration of RM1,055,103;
 - (ii) 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 RM10,197; and
 - (iii) 60,000 preference shares of S\$1.00 each in IPS for a cash consideration of RM134,700 from Goldis.

- (b) On 5 January 2009, the Company increased its investment capital in Metronic Vietnam Company Limited ("MVCL") in Vietnam by US\$25,001 (equivalent to RM87,419) to US\$50,000.

- (c) On 2 February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with Lai An County Water Utility Board ("Water Utility Board"), Anhui Province in the People's Republic of China for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the People's Republic of China via a wholly owned foreign subsidiary known as Anhui Lai An Metronic Water Supply Company Limited which is incorporated on 11 March 2009. The total investment capital was agreed at US Dollar ("US\$") 3,350,000.

- (d) On 6 March 2009, the Company entered into a Conditional Share Sale Agreement ("SSA") with Global Soft (MSC) Bhd ("GS") for the disposal by Metronic Global Berhad ("Metronic") of 1,000,000 ordinary shares of RM1.00 each representing 25.27% equity interest in Ariantec Sdn Bhd for a total disposal consideration of RM9.666 million to be fully satisfied via the issuance of 96,657,750 new ordinary shares of RM0.10 each GS shares at an issue price of RM0.10 per share. The disposal is subject to the conditions precedents as set out in the SSA being fulfilled and complied with. Upon completion of disposal, Ariantec Sdn Bhd will cease to be an associate of the Company, in which the Company will become one of the substantial shareholders in GS, holding approximately 17.02% equity interest in GS.

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

36. 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 2008. 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 rates hikes. The Group does not have any exposure in off balance sheet instruments.

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

(c) Liquidity risk

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

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

Metronic Global Berhad
(Incorporated in Malaysia)

36. Financial instruments (cont'd.)

(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 ongoing basis. The currencies giving rise to this risk are primarily United States Dollar, Great Britain Pound, Euro and Singapore Dollar.

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

	United State Dollar RM	Great Britain Pound RM	Euro RM	Singapore Dollar RM	Total RM
Trade payables					
At 31 December 2008	1,817,831	92,140	134,595	111,340	2,155,906
At 31 December 2007	945,936	26,085	134,594	43,517	1,150,132
	United State Dollar RM	India Rupee RM	Saudi Riyal RM	Vietnam Dong RM	Total RM
Trade receivables					
At 31 December 2008	355,267	-	-	-	355,267
At 31 December 2007	4,392,901	281,842	526,675	-	5,201,418

(e) Credit risk

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

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

36. Financial instruments (cont'd.)

(e) Credit risk (cont'd.)

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instruments other than a balance due from a related party and certain group of debtors of RM39,124,152 (2007: RM54,172,570) as disclosed in Note 22(a).

(f) Fair values

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

	Company Carrying value RM	Fair value RM
At 31 December 2008:		
Financial Assets		
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.

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.

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

37. 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.

(ii) Overseas

The Group has operations in Vietnam, India, Singapore, People's Republic of China, United Arab Emirates and 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.

Metronic Global Berhad
(Incorporated in Malaysia)

37. Segmental reporting (cont'd.)

Geographical segments

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

	Malaysia RM	Overseas RM	Elimination RM	Total RM
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)		(702,761)
Loss before tax				<u>(7,966,483)</u>
Income tax expense				656,572
Net loss for the year				<u>(7,309,911)</u>
Assets				
Segment assets	134,748,004	10,636,782	(25,650,512)	119,734,274
Investment in associates	21,514,409	-	6,402,706	27,917,115
				<u>147,651,389</u>
Liabilities				
Segment liabilities	84,868,800	12,271,032	(25,419,012)	<u>71,720,820</u>
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)	1,218,789	2,023,574		3,242,363
Provision for defect liabilities	973,689	-		973,689
Inventories written off	91,832	2,112,794		2,204,626

Metronic Global Berhad
(Incorporated in Malaysia)

37. Segmental reporting (cont'd.)

Geographical segments (cont'd.)

	Malaysia RM	Overseas RM	Elimination RM	Total RM
31 December 2007				
Revenue				
Sales to external customers	42,709,018	10,076,317	(90,500)	52,694,835
Inter-segment sales	113,314	444,084	(557,398)	-
Total Revenue	<u>42,822,332</u>	<u>10,520,401</u>	<u>(647,898)</u>	<u>52,694,835</u>
Results				
Segment result	1,229,431	(2,653,317)		(1,423,886)
Share of profit of associates	1,032,813	2,113,519		3,146,332
Finance cost				(454,591)
Profit before tax				<u>1,267,855</u>
Income tax expense				(854,117)
Net profit for the year				<u>413,738</u>
Assets				
Segment assets	141,730,096	18,022,523	(27,323,186)	132,429,433
Investment in associates	6,878,807	16,807,609	-	<u>23,686,416</u>
				<u>156,115,849</u>
Liabilities				
Segment liabilities	92,318,578	9,572,535	(27,323,186)	<u>74,567,927</u>
Other segment information				
Capital expenditure	540,939	74,977	-	615,916
Depreciation of property, plant and equipment	480,415	129,677	-	610,092
Depreciation of investment properties	5,267	-		5,267
Amortisation of intangible assets	816,181	-	-	816,181
Other significant non-cash expenses				
Provision for doubtful debts (net)	641,712	256,028	-	897,740
Provision for defect liabilities	586,642	402,544	-	989,186
Inventories written off	70,814	1,327,618	-	1,398,432

Metronic Global Berhad
(Incorporated in Malaysia)

37. Segmental reporting (cont'd.)

Business segment

The following table provides an analysis of the Group's revenue, assets and capital expenditure by business segment.

	Revenue	
	2008	2007
	RM	RM
Engineering	49,205,519	52,391,844
ICT support services	2,456,456	302,991
	<u>51,661,975</u>	<u>52,694,835</u>
	Assets	
	2008	2007
	RM	RM
Engineering	138,968,206	152,889,317
ICT support services	8,683,183	3,226,532
	<u>147,651,389</u>	<u>156,115,849</u>
	Capital expenditure	
	2008	2007
	RM	RM
Engineering	226,540	289,714
ICT support services	452,961	326,202
	<u>679,501</u>	<u>615,916</u>

Metronic Global Berhad
(Incorporated in Malaysia)

38. Restatement of comparatives

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated to reflect appropriately the nature of the transactions and to conform with current year's presentation:

	As previously reported RM	Reclassifica- tion RM	As restated RM
Revenue	55,214,737	(2,519,902)	52,694,835
Cost of sales	<u>(42,499,108)</u>	<u>2,519,902</u>	<u>(39,979,206)</u>