



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)
(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

31 MARCH 2007

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

(The figures have not been audited)

| | Note | Individual quarter | | Cumulative quarter | |
|------------------------------|------|---------------------|--------------------------|---------------------|--------------------------|
| | | 31.03.2007 | 31.03.2006 (Restated) | 31.03.2007 | 31.03.2006 (Restated) |
| | | RM | RM | RM | RM |
| Revenue | | 17,055,299 | 25,380,416 | 17,055,299 | 25,380,416 |
| Cost of sales | | <u>(12,107,237)</u> | <u>(20,336,295)</u> | <u>(12,107,237)</u> | <u>(20,336,295)</u> |
| Gross profit | | 4,948,062 | 5,044,121 | 4,948,062 | 5,044,121 |
| Other operating income | | 43,022 | 52,950 | 43,022 | 52,950 |
| Administration expenses | | (581,916) | (517,396) | (581,916) | (517,396) |
| Operating expenses | | (1,854,158) | (2,066,051) | (1,854,158) | (2,066,051) |
| Finance costs | | (52,369) | (27,275) | (52,369) | (27,275) |
| Interest income | | <u>17,626</u> | <u>16,165</u> | <u>17,626</u> | <u>16,165</u> |
| Profit before taxation | | 2,520,267 | 2,502,514 | 2,520,267 | 2,502,514 |
| Taxation | 20 | (914,000) | (882,611) | (914,000) | (882,611) |
| Net profit for the period | | <u>1,606,267</u> | <u>1,619,903</u> | <u>1,606,267</u> | <u>1,619,903</u> |
| Attributable to: | | | | | |
| Equity holders of the parent | | 1,735,103 | 1,619,903 | 1,735,103 | 1,619,903 |
| Minority interest | | (128,836) | - | (128,836) | - |
| | | <u>1,606,267</u> | <u>1,619,903</u> | <u>1,606,267</u> | <u>1,619,903</u> |
| Earnings per share (sen) | | | | | |
| Basic | | 0.61 | 0.57 | 0.61 | 0.57 |
| Diluted | | 0.61 | 0.57 | 0.61 | 0.57 |

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007
(The figures have not been audited)

| | ← Attributable to Equity Holders of the Parent → | | | | Total RM | Minority Interest RM | Total Equity RM |
|----------------------------------|--|------------------------|---------------------------|---------------------------|-------------------|----------------------------|-----------------------|
| | Share Capital RM | Share Premium RM | Exchange Reserve RM | Retained Profits RM | | | |
| As at 1 January 2006 | 28,354,000 | 6,406,222 | 83,729 | 18,108,159 | 52,952,110 | - | 52,952,110 |
| Currency translation differences | - | - | (85,789) | - | (85,789) | - | (85,789) |
| Profit for the period | - | - | - | 1,619,903 | 1,619,903 | - | 1,619,903 |
| As at 31 March 2006 | <u>28,354,000</u> | <u>6,406,222</u> | <u>(2,060)</u> | <u>19,728,062</u> | <u>54,486,224</u> | <u>-</u> | <u>54,486,224</u> |
| As at 1 January 2007 | 28,354,000 | 6,406,222 | (51,769) | 26,710,304 | 61,418,757 | 1,139,138 | 62,557,895 |
| Currency translation differences | - | - | (30,460) | - | (30,460) | - | (30,460) |
| Profit for the period | - | - | - | 1,735,103 | 1,735,103 | (128,836) | 1,606,267 |
| As at 31 March 2007 | <u>28,354,000</u> | <u>6,406,222</u> | <u>(82,229)</u> | <u>28,445,407</u> | <u>63,123,400</u> | <u>1,010,302</u> | <u>64,133,702</u> |

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007**
(The figures have not been audited)

| | 3 months ended | |
|---|-------------------------|-------------------------|
| | 31.03.2007 | 31.03.2006 |
| | RM | RM |
| Cash flows from operating activities | (1,483,240) | 2,328,510 |
| Cash flows from investing activities | (309,309) | (35,695) |
| Cash flows from financing activities | <u>1,466,437</u> | <u>269,226</u> |
| Net change in cash and cash equivalents | (326,112) | 2,562,041 |
| Cash and cash equivalents at beginning of the period | 3,876,043 | 3,731,602 |
| Cash and cash equivalents at end of the period | <u><u>3,549,931</u></u> | <u><u>6,293,643</u></u> |
| Cash and cash equivalents at the balance sheet date comprise the following: | | |
| Cash and bank balances | 3,549,931 | 6,293,643 |
| | <u><u>3,549,931</u></u> | <u><u>6,293,643</u></u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED
31 MARCH 2007 PURSUANT TO FRS 134**

1. Basis of preparation

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

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

2. Changes in accounting policies

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

FRS 117 Leases
FRS 124 Related Party Disclosures

The adoption of the above FRSs do not have significant financial impact on the group for the current quarter under review.

3. Qualification of audit report of the preceding annual financial statements

The audit report of the Group's annual financial statements for the year ended 31 December 2006 was not subject to any qualification.

4. Seasonality or cyclicity of interim operations

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

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

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

6. Material changes in estimates

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

The comparative figures of the income statement for the quarter ended 31 March 2006 have been restated to reflect the adjustments made in the audited financial statements for the year ended 31 December 2006. Accordingly, the profit for the quarter ended 31 March 2006 has been reduced by RM339,405 as a result of the provision for the impairment loss on investment properties of RM328,217 and depreciation charge of RM11,188.

7. Debt and equity securities

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

8. Dividends

There were no dividend paid during the quarter under review.

9. Segmental information

Analysis by geographical segments:

| | 3 months ended | |
|---|----------------|------------|
| | 31.03.2007 | 31.03.2006 |
| | RM | RM |
| Segment revenue | | |
| Malaysia | 16,297,438 | 25,286,458 |
| Overseas | 761,865 | 93,958 |
| Total revenue including inter-segment sales | 17,059,303 | 25,380,416 |
| Elimination of inter-segment sales | (4,004) | |
| Total revenue | 17,055,299 | 25,380,416 |
| Segment results | | |
| Malaysia | 2,785,750 | 2,806,336 |
| Overseas | (213,114) | (276,547) |
| Total segment results | 2,572,636 | 2,529,789 |
| Finance cost | (52,369) | (27,275) |
| Profit before tax | 2,520,267 | 2,502,514 |

10. Valuations of property, plant & equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2006.

11. Material subsequent events

Save as disclosed in Note 23(a) and below, there were no material events subsequent to the end of the current quarter:

(a) Acquisition of Adprima Sdn Bhd

On 23 April 2007, Metronic Global Berhad ("MGB" or "the Company") entered into a Shareholders' Agreement with Daniel Lim Kim Chuan, Dominica Avril Miji and Adprima Sdn Bhd ("Adprima") ("the Parties") to carry out the activities of a special projects management consultancy company, performance contracting business and to participate in certain business which the Parties may from time to time agree. MGB shall subscribe for up to 120,000 new ordinary shares of RM1.00 each in Adprima Sdn Bhd for a total cash consideration of RM162,500. Daniel Lim Kim Chuan shall subscribe for up to 79,998 new ordinary shares of RM1.00 each in Adprima for a total cash consideration of RM87,498. Upon the completion of the subscription of new ordinary shares in Adprima, MGB and Daniel Lim Kim Chuan shall hold 60% and 40% equity interest in Adprima respectively.

(b) Acquisition of Securetrax Pte Ltd

On 27 April 2007, MGB entered into a Shareholders Agreement with Kok Min Har ("Kok"), a Singaporean investor, to set up a joint venture company known as Securetrax Solutions Pte Ltd ("Securetrax"). Securetrax was incorporated on 31 January 2007 as a private limited company in the Republic of Singapore with an issued and paid-up share capital of Singapore Dollars ("S\$") 2.00 comprising 2 ordinary shares of S\$1.00 each. The intended business activity of Securetrax shall be the development of a series of products relating to Home Land Security. MGB and Kok ("Parties") shall each purchase an ordinary share held by the current subscriber of Securetrax. Thereafter, the Parties agree that the issued and paid-up share capital of the Company shall be increased up to SGD 500,000 comprising 500,000 ordinary shares of SGD1.00 each. MGB and Kok shall hold 495,000 and 5,000 ordinary shares respectively.

(c) Ordinary shares issued for acquisition of associate

On 8 May 2007, the Company issued 23,041,474 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share amounting to RM6,912,442 as discharge of purchase consideration for acquisition of Unilink Development Limited. Further details of the acquisition are disclosed in Note 23(a)(iv).

(d) Ordinary shares issued for acquisition of subsidiary

On 8 May 2007, the Company issued 23,041,474 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share amounting to RM6,912,442 as discharge of purchase consideration for acquisition of Hong Kong Broadway Electronics Company Limited. Further details of the acquisition are disclosed in Note 23(a)(iv).

(e) Ordinary shares issued for private placement

On 8 May 2007, the Company issued 7,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.42 per ordinary share amounting to RM2,940,000 for the private placement of shares as disclosed in Note 23(a)(iv).

12. Changes in the composition of the Group

Save as disclosed in Note 11 and 23(a), there were no changes in the composition of the Group during the current quarter under review.

13. Changes in contingent liabilities and contingent assets

There were no changes in the contingent liabilities and contingent assets since the last balance sheet as at 31 December 2006 except for the following:

| | Contingent liability 31.03.2007 RM |
|--|---|
| Corporate guarantees issued to a financial institution in respect of credit facilities granted to a subsidiary | <u>31,500,000</u> |

14. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 31 March 2007 is as follows:-

| | 31.03.2007 RM |
|---|--------------------------|
| Approved and contracted for: | |
| - Research and development expenditure | 198,862 |
| - Investment in subsidiaries and associates | <u>37,808,491</u> |
| | <u>38,007,353</u> |

15. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 31 March 2007 are as follows:

| | 3 months ended 31.03.2007 RM |
|---|---|
| Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company | 15,000 |
| Rental receivable from MCSB | 3,000 |
| Purchases from ITG Worldwide (M) Sdn Bhd ("ITG"), a company in which a director has interest | 80,524 |
| Accounting fee receivable from ITG | 6,000 |
| Rental receivable from ITG | 3,000 |
| Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company | 10,218,954 |
| Maintenance revenue receivable from Integrated Commerce (M) Sdn Bhd | <u>76,804</u> |

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

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**16. Performance Review**

The Group recorded a revenue of RM17.06 million for the current quarter under review, which is RM8.32 million or 33% lower than the corresponding figure of RM25.38 million for the previous financial year, mainly due to fact that certain major projects that contributed substantially to the previous year's revenue are at their completion stage and the newly secured major projects are still at their initial implementation stage and have not contributed substantially to the current quarter revenue.

The profit before taxation for the current quarter under review is reported at RM2.52 million, which is slightly higher than the corresponding figure of RM2.50 million. The slight increase in profit before tax as opposed to the drop in revenue is mainly attributable to the completion of jobs with higher gross profit margin during the current quarter under review as compared to the corresponding quarter of the previous year.

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

The Group's profit before tax for the current quarter ended 31 March 2007 of RM2,520,267 represents a drop of RM923,015 or 27% from the preceding quarter ended 31 December 2006 of RM3,443,282, which is in line with the lower revenue recorded for the current quarter under review.

18. Current year prospects

In view of the order book and the potential projects, as well as the acquisition of companies the Group is currently implementing, the Directors are of the opinion that the Group should be able to maintain its performance in accordance to expectations for the remaining quarters of the financial year ending 31 December 2007.

19. Profit forecast or profit guarantee

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

20. Taxation

| | 3 months ended 31.03.2007 RM |
|----------------------|---|
| Income tax expense: | |
| Malaysian income tax | 881,000 |
| Deferred tax expense | 33,000 |
| | <u>914,000</u> |

The effective tax rate for the financial quarter ended 31 March 2007 presented above is higher than the statutory tax rate principally due to certain expenses not deductible for tax purposes.

21. Sale of unquoted investments and properties

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

22. Marketable securities

(a) Investments in quoted securities as at 31 March 2007 are as follows:

| | As at 31.03.2007 RM |
|-------------------|------------------------------------|
| At cost | 1,189,166 |
| At carrying value | 586,575 |
| At market value | <u>586,575</u> |

23. Corporate proposals

(a) Status of corporate proposals

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

(i) Acquisition of a foreign subsidiary

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

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

(ii) Cooperation agreement with FEELingK Co., Ltd

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

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

23. Corporate proposals (cont'd)

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

(iii) Deed of partnership in the Emirate of Dubai

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

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

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

On 14 August 2006, the Company had, via its advisor, HWANGDBS Investment Bank Berhad (formerly known as Hwang-DBS Investment Bank Berhad) (formerly known as Hwang-DBS Securities Berhad) ("HWANGDBS") announced the following proposals:

- Proposed acquisition of 125 ordinary shares of Hong Kong Dollar ("HK\$") 1.00 each in Unilink Development Limited ("Unilink") ("Unilink Shares") representing 12.5% equity interest in Unilink for a purchase consideration of Renminbi ("RMB") 15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new ordinary shares of RM0.10 each in MGB ("MGB Shares") at an issue price of RM0.30 per MGB Share ("Proposed Acquisition of Unilink")
- Proposed acquisition of 10,000 ordinary shares of HK\$1.00 each in HK Broadway Electronics Company Limited ("HK Broadway") ("HK Broadway Shares") representing 100% equity interest in HK Broadway for a purchase consideration of RMB15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new MGB Shares at an issue price of RM0.30 per MGB Share ("Proposed Acquisition of HK Broadway").
- Proposed call option arrangement between MGB and Zonemax whereby Zonemax has granted MGB a call option to acquire 563 Unilink Shares representing approximately 56.25% equity interest in Unilink for a purchase consideration of RMB67,500,000 ("Call Option") which shall be satisfied by the issuance of up to 103,686,636 new MGB Shares at an issue price of RM0.30 and/or cash payment to be mutually agreed upon by Zonemax and MGB or, if the Proposed Bonus Issue (as defined hereinafter) is implemented, 182,976,416 new MGB Shares at an issue price of RM0.17 per MGB Share and/or cash payment to be mutually agreed by Zonemax and MGB ("Proposed Call Option")
- Proposed private placement of up to 42,531,000 new MGB Shares ("Placement Shares") representing fifteen percent (15%) of the existing issued and paid-up share capital of MGB at an issue price to be determined based on a discount of not more than ten percent (10%) on the five (5) day volume weighted average market price of Company's Shares ("VWAMP") ("Proposed Private Placement").

23. Corporate proposals (cont'd)

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

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

- Proposed bonus issue of up to 318,989,098 new Company's Shares ("Bonus Shares") to be credited as fully paid-up on the basis of six (6) Bonus Shares for every seven (7) MGB Shares held ("Proposed Bonus Issue").
- Proposed increase in the authorised share capital of MGB from RM50,000,000 comprising 500,000,000 MGB Shares to RM100,000,000 comprising 1,000,000,000 Company's Shares ("Proposed IASC")
- Proposed amendments to the Memorandum and Articles of Association ("M&A") of Company's ("Proposed M&A Amendments")
- Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of the Company from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer").

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

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

All the above proposals have been approved by the shareholders of MGB at the Extraordinary General Meeting held on 23 April 2007.

On 7 May 2007, the Company, via HWANGDBS announced that Bursa Malaysia Securities Berhad had, vide its letters dated 4 May 2007 granted its approval for the listing and quotation of new MGB shares to be issued pursuant to the Proposed Bonus Issue, Proposed Private Placement, Proposed Acquisitions and Proposed Call Option; and transfer of the Company's entire enlarged issued and paid-up share capital from the MESDAQ Market to the Main Board of Bursa Securities, under the "Technology" sector on a "Ready" basis pursuant to the Rules of Bursa Securities;

On 11 May 2007, HWANGDBS announced that on 10 May 2007, MGB had entered into a Supplemental Call Option Agreement with Zonemax to vary the Call Option Agreement entered into between MGB and Zonemax dated 14 August 2006 ("Proposed Variation to Call Option"). On even date, HWANGDBS also announced that MGB proposes to vary the conditionality of the Proposals ("Proposed Variation to Conditionality"). The details of Proposed Variation to Call Option and Proposed Variation to Conditionality are stated in the said announcement. An application was submitted to the Securities Commission on 14 May 2007 in respect of the Proposed Variation to Call Option and Proposed Variation to Conditionality.

23. Corporate proposals (cont'd)

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

(v) Acquisition of Ariantec Sdn Bhd

On 17 April 2007, MGB announced that the Company had entered into a Share Sale Agreement with the shareholders of Ariantec Sdn Bhd ("Ariantec"), to acquire 600,000 ordinary shares of RM1.00 each in Ariantec representing 40% equity interest in Ariantec for cash consideration of RM5,400,000. MGB had on the even date also entered into a Put Option Agreement with the Vendors whereby MGB has the option to sell the 600,000 Ariantec Shares back to the Vendors for a cash consideration of RM5,400,000 in the event that the Vendors do not fulfill the profit guarantee provided under the Share Sale Agreement. Ariantec is a value-added provider of data network infrastructure and managed security systems and solutions.

As at the date of this announcement, the acquisition is pending (i) completion of the financial and legal due diligence by MGB on Ariantec and the results of the said due diligence being satisfactory to MGB; and (ii) balance payment of purchase consideration of RM5,130,000.

(b) Status of utilisation of proceeds

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

| Purpose of proceeds | Proposed | Actual | Intended | Deviation / | Explanation | |
|--|-------------------|-------------------|---------------|----------------|-------------|--|
| | Utilisation | Utilisation | Timeframe for | Balance | | |
| | RM | RM | Utilisation | RM | % | |
| Repayment of bank borrowings | 5,000,000 | 5,000,000 | 1 year | - | 100 | Fully Utilised |
| Capital expenditure for office expansion | 2,600,000 | 2,600,000 | 1 year | - | 100 | Fully Utilised |
| R&D expenditure | 3,000,000 | 2,391,856 | 3 years | 608,144 | 78 | Expected to be utilised within 3 years from the date of listing on 24 May 2004 |
| Working capital | 3,110,000 | 3,110,000 | 1 year | - | 100 | Fully Utilised |
| Estimated listing expenses | 1,200,000 | 1,200,000 | 1 year | - | 100 | Fully Utilised |
| | <u>14,910,000</u> | <u>14,301,856</u> | | <u>608,144</u> | | |

Due to changes in some of the R&D projects of the Company and its subsidiaries, the Company will not be able to fully utilize the proceeds earmarked for R&D expenditure within three years from the date of listing on 24 May 2004. As such, the Company had, on 14 May 2007, announced its intention to extend the timeframe for the utilization of the said balance proceeds of RM608,144 by an additional six months to 24 November 2007. The proposed extension of time is subject to the approval of the Securities Commission. An application was submitted to the SC on 14 May 2007 for an extension of time for the utilisation of proceeds.

24. Borrowings and debt securities

The Group's total borrowings, all of which were secured, as at 31 March 2007 were as follows:-

| | Short term RM | Long term RM | Total RM |
|---|------------------|-----------------|-------------|
| Bankers' acceptances and trust receipts | 2,849,019 | - | 2,849,019 |
| Revolving credit | 1,341,621 | - | 1,341,621 |
| Total | 4,190,640 | - | 4,190,640 |

| | RMB | RM equivalent |
|--|-----------|---------------|
| Short term borrowings denominated in foreign currency: Renminbi | 3,000,000 | 1,341,621 |

25. Off Balance Sheet financial instruments

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

26. Changes in material litigation

There were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 31 December 2006, except as disclosed below:

- (a) MESB had on 26 September 2003 made a claim against United Engineers (Malaysia) Bhd ("UEM") for RM939,365.14 being the non-settlement of the third payment for the provision of BAS Control System for Telekom Malaysia Berhad Headquarters Project pursuant to an agreement between MESB and UEM dated 2 May 2002. The Defendant had filed its defence on 16 January 2004. MESB had filed its reply to the defence on 29 January 2004. The suit came up for 1st Pre-Trial Case Management on 1 February 2005. On 17 January 2006, UEM's application to determine the suit by way of a Question of Law had been dismissed by the High Court of Shah Alam. MESB had, through its solicitors, filed an application before the Registrar pursuant to the Rules of High Court, seeking UEM to disclose account with regards to the project as UEM has pleaded not to finalise their account and to date maintains the said stand. The Court has fixed 17 July 2007 as the hearing date. MGB's legal advisor is of the opinion that MESB has a good chance of succeeding in its claim.
- (b) Lee Bee Leng & two (2) others vs (1) MESB and (2) University Teknologi Petronas. On 15 November 2005, MESB, being the first (1st) defendant was served with a Writ of Summons dated 24 October 2005 by Lee Bee Leng & two (2) others ("Plaintiffs") claiming for among others general damages amounting to RM500,000.00 or to be taxed by the court ("Negligence Claim") and special damages amounting to RM403,550.00 ("Dependency Claim") due to the death of the 1st Plaintiff's husband and 2nd & 3rd Plaintiff's father. The maximum exposure to liabilities of MESB and University Teknologi Petronas ("UTP") is therefore estimated at RM903,550.00. The Plaintiffs claimed that the death was caused by the alleged negligence of MESB and UTP. A Statement of Defence was filed with the High Court of Malaysia in Ipoh on 11 January 2006 by MESB's solicitors. A reply to the Statement of Defence was dated 10 February 2006.

On 15 May 2006, MESB's solicitors were served with the Plaintiffs' application for abridgement of time to file a claim in respect of Dependency Claim against MESB. Two (2) affidavits in opposition of the Plaintiffs' application affirmed on 31 May 2006 and 30 June 2006 have been duly filed on 1 June 2006 and 5 July 2006 respectively at the Ipoh High Court. The Registrar had on 8 September 2006 ruled in favour of the Plaintiffs' application for extension of time and the cost arisen therefrom will be borne by the Plaintiffs. A notice of appeal to the Judge against the decision of the Registrar dated 13 September 2006 ("Appeal") had been filed at the High Court. The High Court has asked all parties to file in written submission in respect of the Appeal to the Judge in chambers in respect of the Registrar's decision to enlarge time for the Plaintiff to file the Writ of Summons and decision is set for 15 August 2007.

26. Changes in material litigation (cont'd)

MESB's solicitors are of the view that MESB may be able to resist the Dependency Claim successfully by virtue of the fact that the claim is beyond the legitimate timeframe, which is three (3) years ("Defence of Limitation"). As such, an application for striking out the Dependency Claim dated 7 September 2006 had been filed with the Ipoh High Court. The application for striking out the Dependency Claim has been held in abeyance until 15 August 2007 pending the outcome of the Appeal.

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

- (c) On 9 January 2007, MGB through its solicitors, received a Writ of Summons and Statement of Claim dated 23 November 2006 with the High Court of Shah Alam issued by CWorks Systems Berhad ("CWorks"). CWorks is claiming an outstanding amount of RM1,751,617.27 from MGB pursuant to a Software Development Agreement dated 9 May 2005 ("the Agreement") for the development and provision of a software for the National Product Code System, the Sale Force System and the Project Management Tool System in the PRC. The maximum exposure to MGB is estimated at RM1,751,617.27.

The Company's solicitors had on 16 January 2007 filed a Conditional Appearance challenging the action as not within the Jurisdiction of the High Court of Malaya but any remedy sought by CWorks should be referred to Arbitration under Malaysian Laws. The Company had, via a letter dated 5 December 2006 demanded the fulfillment of CWorks' contractual obligation. However, the letter remained unanswered. The hearing is fixed on 29 May 2007. Meanwhile, on 9 March 2007, the Plaintiff filed an application for summary judgement. The Company's solicitors are of the opinion that the said application is contrary to law and had taken objection towards the said application. The Company's solicitors had sought for the said application not to be heard till the Conditional Appearance is determined and disposed off. 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.

27. Dividends

No dividend has been declared or recommended in respect of the quarter under review.

28. Earnings per share

| | 3 months ended 31.03.2007 |
|---|--------------------------------------|
| Profit attributable to ordinary equity holders of the parent (RM) | 1,735,103 |
| Weighted average number of ordinary shares in issue | 283,540,000 |
| Earnings per share (sen) | |
| - Basic | 0.61 |
| - Diluted | <u>0.61</u> |

29. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution