



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 SEPTEMBER 2007

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		30.09.2007	30.09.2006	30.09.2007	30.09.2006 (Restated)
		RM	RM	RM	RM
Revenue		12,525,585	30,534,599	40,567,220	81,335,047
Cost of sales		(10,851,570)	(24,798,796)	(31,014,538)	(65,475,248)
Gross profit		1,674,015	5,735,803	9,552,682	15,859,799
Other operating income		27,649	32,868	81,734	448,648
Administration expenses		(882,014)	(638,418)	(2,258,801)	(1,688,406)
Operating expenses		(1,864,735)	(1,954,205)	(5,977,629)	(5,917,011)
Finance costs		(150,371)	(33,958)	(256,641)	(110,837)
Interest income		119,185	137,643	180,613	185,788
Share of profit of associates		1,287,712	-	1,744,128	-
Profit before taxation		211,441	3,279,733	3,066,086	8,777,981
Taxation	20	(114,946)	(906,644)	(1,093,146)	(2,691,492)
Net profit for the period		<u>96,495</u>	<u>2,373,089</u>	<u>1,972,940</u>	<u>6,086,489</u>
Attributable to:					
Equity holders of the parent		234,357	2,424,017	2,384,574	6,137,417
Minority interest		(137,862)	(50,928)	(411,634)	(50,928)
		<u>96,495</u>	<u>2,373,089</u>	<u>1,972,940</u>	<u>6,086,489</u>
Earnings per share (sen)					
Basic		0.04	0.85	0.59	2.16
Diluted		0.04	0.85	0.59	2.16

The condensed consolidated income statements should be read in conjunction with the 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 BALANCE SHEETS
AS AT 30 SEPTEMBER 2007**

(The figures have not been audited)

	Note	As at 30.09.2007 RM	(Audited) As at 31.12.2006 RM
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		10,945,205	11,119,357
Investment properties		395,800	399,750
Intangible assets		7,410,234	3,195,231
Investment in associates		18,149,087	-
Other investments		1,273,409	546,482
Deferred tax assets		1,552,000	1,371,000
		<u>39,725,735</u>	<u>16,631,820</u>
CURRENT ASSETS			
Inventories		5,549,163	4,829,625
Trade receivables		97,479,340	101,684,285
Other receivables		2,503,065	4,195,478
Short term deposits		6,208,400	6,815,888
Cash & bank balances		3,509,503	4,148,718
		<u>115,249,471</u>	<u>121,673,994</u>
TOTAL ASSETS		<u>154,975,206</u>	<u>138,305,814</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		63,490,690	28,354,000
Share premium		-	6,406,222
Exchange reserve		119,229	(51,769)
Retained profits		18,497,633	26,710,304
		<u>82,107,552</u>	<u>61,418,757</u>
Minority interest		940,013	1,139,138
TOTAL EQUITY		<u>83,047,565</u>	<u>62,557,895</u>
NON CURRENT LIABILITIES			
Hire purchase payables		112,295	107,037
Deferred tax liabilities		2,428	-
		<u>114,723</u>	<u>107,037</u>
CURRENT LIABILITIES			
Trade payables		49,174,726	66,216,200
Other payables		11,504,093	5,364,139
Bank borrowings	24	11,134,099	3,036,543
Provision for taxation		-	1,024,000
		<u>71,812,918</u>	<u>75,640,882</u>
TOTAL LIABILITIES		<u>71,927,641</u>	<u>75,747,919</u>
TOTAL EQUITY AND LIABILITIES		<u>154,975,206</u>	<u>138,305,814</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007**

(The figures have not been audited)

	← Attributable to Equity Holders of the Parent →					Minority Interest	Total Equity
	Share Capital RM	Share Premium RM	Exchange Reserve RM	Retained Profits RM	Total 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	-	-	(16,449)	-	(16,449)	-	(16,449)
Acquisition and subscription of shares in subsidiary by minority shareholder	-	-	-	-	-	122,500	122,500
Profit for the period	-	-	-	6,167,361	6,167,361	(80,872)	6,086,489
Final dividend paid	-	-	-	(612,447)	(612,447)	-	(612,447)
As at 30 September 2006	28,354,000	6,406,222	67,280	23,663,073	58,490,575	41,628	58,532,203
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
Issue of ordinary shares:							
pursuant to private placement	1,225,000	3,920,000	-	-	5,145,000	-	5,145,000
pursuant to acquisition of subsidiary and associate	4,608,294	9,216,590	-	-	13,824,884	-	13,824,884
pursuant to bonus issue	29,303,396	(18,706,151)	-	(10,597,245)	-	-	-
Transaction costs	-	(836,661)	-	-	(836,661)	-	(836,661)
Currency translation differences	-	-	170,998	-	170,998	19,942	190,940
Acquisition and subscription of shares in subsidiaries by minority shareholders	-	-	-	-	-	192,567	192,567
Profit for the period	-	-	-	2,384,574	2,384,574	(411,634)	1,972,940
As at 30 September 2007	63,490,690	-	119,229	18,497,633	82,107,552	940,013	83,047,565

The condensed consolidated statement of changes in equity should be read in conjunction with the 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 STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007**

(The figures have not been audited)

	9 months ended	
	30.09.2007	30.09.2006
	RM	RM
Cash flows from operating activities	(10,370,290)	1,083,091
Cash flows from investing activities	(3,247,480)	(1,677,583)
Cash flows from financing activities	<u>10,538,652</u>	<u>(213,421)</u>
Net change in cash and cash equivalents	(3,079,118)	(807,913)
Cash and cash equivalents at beginning of the period	3,876,043	3,731,603
Cash and cash equivalents at end of the period	<u><u>796,925</u></u>	<u><u>2,923,690</u></u>

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

Cash and bank balances	3,509,503	3,710,335
Bank overdraft (Note 24)	(2,712,578)	(786,645)
	<u><u>796,925</u></u>	<u><u>2,923,690</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited 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 and methods of computation adopted by the Group in this 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 or 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 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.

7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the quarter under review except that on 11 July 2007, the Company issued 293,033,955 new ordinary shares of RM0.10 each on the basis of six (6) new ordinary shares for every seven (7) existing ordinary shares held as disclosed in Note 23(a)(ii).

8. Dividends

There were no dividend paid during the quarter under review.

9. Segmental information

Analysis by geographical segments:

	3 months ended		9 months ended	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
	RM	RM	RM	RM
Segment revenue				
Malaysia	11,364,998	30,444,599	35,497,007	71,701,409
Overseas	1,253,665	106,173	5,170,972	9,649,811
Total revenue including inter-segment sales	12,618,663	30,550,772	40,667,979	81,351,220
Elimination of inter-segment sales	(93,078)	(16,173)	(100,759)	(16,173)
Total revenue	12,525,585	30,534,599	40,567,220	81,335,047
Segment results				
Malaysia	(123,411)	3,587,538	2,824,647	7,126,668
Overseas	463,236	(273,847)	476,092	1,762,150
Total segment results	339,825	3,313,691	3,300,739	8,888,818
Finance cost	(128,384)	(33,958)	(234,653)	(110,837)
Profit before tax	211,441	3,279,733	3,066,086	8,777,981

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

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

12. Changes in the composition of the Group

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

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. On 28 August 2007, MGB announced that the acquisition of Ariantec has been completed on 27 August 2007.

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 30.09.2007 RM
Corporate guarantees issued to a financial institution in respect of credit facilities granted to subsidiaries	<u>31,500,000</u>

14. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 September 2007 is as follows:-

	30.09.2007 RM
Approved and contracted for:	
- Investment in subsidiaries and associates	<u>18,103,764</u> <u>18,103,764</u>

15. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 30 September 2007 are as follows:

	3 months ended 30.09.2007 RM	9 months ended 30.09.2007 RM
Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a company in which certain directors have interest	15,000	45,000
Rental receivable from MCSB	3,000	9,000
Purchases from ITG Worldwide (M) Sdn Bhd ("ITG"), a company in which a director has an interest	452,452	732,131
Accounting fee receivable from ITG	6,000	18,000
Rental receivable from ITG	3,000	9,000
Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company	3,460	10,222,414
Maintenance revenue receivable from Integrated Commerce (M) Sdn Bhd, a company in which a director has an interest	-	86,281
Contract revenue receivable from Ariantec Sdn Bhd ("Ariantec"), an associate of the Company	1,297,298	1,297,298
Purchases and sub-contracting fee payable to Ariantec	<u>480,485</u>	<u>480,485</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.

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(Incorporated in Malaysia)

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

The Group recorded a revenue of RM12.53 million for the current quarter under review, which is RM18.00 million or 59% lower than the corresponding figure of RM30.53 million for the previous year, mainly attributable to lower value of jobs being completed during the current quarter under review.

The profit before taxation for the current quarter under review is reported at RM0.21 million, which is RM3.07 million or 93% lower than the corresponding figure of RM3.28 million. The drop in profit before tax is mainly attributable to the drop in revenue and gross profit margin for the current quarter under review. The drop in profit, however, is mitigated by the share of profit of the associates.

The Group's revenue of RM40.57 million for the current financial period ended 30 September 2007 is RM40.77 million or 50% lower than the revenue of RM81.34 million reported in the previous financial period ended 30 September 2006. This is mainly due to the fact that the projects carried out during the current financial period are mainly the provision of engineering solutions in relation to Intelligent Building Management System ("IBMS") and Integrated Security Management System ("ISMS") which are of smaller scale compared to the e-Project Management of Medical & Non-Medical Equipment implemented during previous financial period. In line with the drop in revenue, the profit before taxation for the current financial period ended 30 September 2007 is reported at RM3.07 million, which is RM5.71 million or 65% lower than the corresponding figure of RM8.78 million reported in the previous financial period ended 30 September 2006.

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 30 September 2007 of RM0.21 million represents a drop of RM0.12 million or 36% from the preceding quarter ended 30 June 2007 of RM0.33 million, which is attributable to lower gross profit margin for the jobs completed during the current quarter under review.

18. Current year prospects

The Company's local subsidiary, Metronic Engineering Sdn Bhd, which undertakes the Group's core activities, i.e. provision of engineering solutions in relation to IBMS and ISMS, is expected to remain as the main contributor to the Group's revenue and results for the current year. Besides, the two newly acquired Hong Kong companies with their investments in two China manufacturing companies, are expected to make a positive contribution to the Group for the current year. However, the Company's other relatively new subsidiaries have not realised their full potential and most of the revenue for the jobs secured are expected to be recognised in the subsequent year. Nevertheless, the Directors are of the opinion that these subsidiaries would be able to contribute positively towards the long-term growth of the Group.

19. Profit forecast or profit guarantee

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

20. Taxation

	3 months ended 30.09.2007 RM	9 months ended 30.09.2007 RM
Income tax expense:		
Malaysian income tax	143,000	1,157,500
Underprovision of income tax in prior years	30,946	71,646
Deferred tax expense	<u>(59,000)</u>	<u>(136,000)</u>
	<u>114,946</u>	<u>1,093,146</u>

The effective tax rate for the financial period ended 30 September 2007 presented above is higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purpose.

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 30 September 2007 are as follows:

	As at 30.09.2007 RM
At cost	1,189,166
At carrying value	1,036,589
At market value	<u>1,036,589</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) 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.

23. Corporate proposals (cont'd)

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

(ii) **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").
- 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").

23. Corporate proposals (cont'd)

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

(ii) **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)**

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. The SC had, vide its letter dated 15 June 2007, granted its approval for the Proposed Variation to Conditionality. The Proposed Variation to Call Option and Proposed Variation to Conditionality have been approved by the shareholders at the Extraordinary General Meeting held on 27 June 2007.

MGB's additional 12,250,000 new ordinary shares of RM0.10 each issued at RM0.42 per share, being a portion or first (1st) tranche of the Private Placement were granted listing and quotation with effect from 29 June 2007.

MGB's additional 46,082,948 new ordinary shares of RM0.10 each issued at RM0.30 pursuant to the acquisition of HK Broadway and Unilink ("Acquisitions") were granted listing and quotation with effect from 12 July 2007.

MGB's additional 293,033,955 new ordinary shares of RM0.10 each issued pursuant to the Bonus Issue were granted listing and quotation with effect from 12 July 2007.

23. Corporate proposals (cont'd)

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

(ii) 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)

MGB's entire issued and paid-up share capital of RM63,490,690.30 comprising 634,906,903 ordinary shares of RM0.10 each were transferred 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 12 July 2007.

On 10 August 2007, HWANGDBS announced that with the exception of the Private Placement, the abovementioned corporate exercises were completed with the transfer of the listing and quotation for the ordinary shares of RM0.10 each in MGB from the MESDAQ market to Main Board of Bursa Securities on 12 July 2007.

MGB had on 15 August 2007 submitted an application to the SC to seek a waiver in respect of the placement of second (2nd) tranche of 7,500,000 ordinary shares of RM0.10 each to be issued pursuant to the Private Placement to bumiputra placee(s) ("Placement Shares") as the identified bumiputra placee has informed the Company that he does not wish to subscribe for the Placement Shares. However, the SC had, vide its letter dated 14 September 2007, informed MGB that it is not able to consider the Company's application for a waiver from having to place out the Placement Shares to bumiputera placees. The SC has granted an extension of time of one year until 17 August 2008 for MGB to comply with the bumiputera equity condition.

(iii) Proposed Restructuring of Unilink Development Limited

On 2 August 2007, MGB announced that the Company had on 1 August 2007 entered into a Restructuring Agreement ("the Agreement") with Zonemax Holdings Limited ("Zonemax"), Newtron Company Limited ("Newtron"), Edmund Chuah Choong Eng Huat ("Edmund Chuah") and Unilink Development Limited ("Unilink") (collectively the "Parties" and individually a "Party") to carry out the share swap and the restructuring exercise of Unilink ("Proposed Restructuring").

The proposed Restructuring entails the following conditions:

- (a) MGB proposes to acquire 125 ordinary shares of Hong Kong Dollar ("HK\$") 1.00 each in Unilink ("Unilink Shares") representing 12.5% equity interest in Unilink from Newtron and/or its nominee; in consideration, MGB shall dispose 10,000 ordinary shares of HK\$1.00 each in Hong Kong Broadway Electronics Company Limited ("HK Broadway") representing 100% equity interest in HK Broadway to Newtron and/or its nominee; ("Proposed Share Swap")
- (b) Newtron proposes to sell 25 Unilink Shares representing 2.5% equity interest in Unilink to Edmund Chuah and/or his nominee for a cash consideration, or such mode of payment to be agreed between the parties; and
- (c) Edmund Chuah proposes to sell 190,000 ordinary shares of USD1.00 each in Hangzhou Heng-Ai Electronic Co, Ltd ("Heng-Ai") representing 5% of the registered capital in Heng-Ai to Unilink, and in consideration, Unilink shall issue 26 new Unilink Shares representing 2.5% equity interest in Unilink to Edmund Chuah.

The Proposed Share Swap has been approved by the shareholders of MGB at the Extraordinary General Meeting ("EGM") held on 24 September 2007.

As at the date of this announcement, the Proposed Share Swap is pending the transfer of shares in Unilink from Newtron to MGB and transfer of shares in HK Broadway from MGB to Newtron.

23. Corporate proposals (cont'd)

(b) Status of utilisation of proceeds

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

Purpose of proceeds	Proposed Utilisation RM	Actual Utilisation RM	Intended Timeframe for Utilisation	Deviation / Balance RM	Explanation %
Repayment of bank borrowings	5,000,000	5,000,000	1 year	-	Fully Utilised
Capital expenditure for office expansion	2,600,000	2,600,000	1 year	-	Fully Utilised
R&D expenditure	3,000,000	2,574,756	3 years	-	Fully Utilised
Working capital	3,110,000	3,110,000	1 year	-	Fully Utilised
Estimated listing expenses	1,200,000	1,200,000	1 year	-	Fully Utilised
	<u>14,910,000</u>	<u>14,484,756</u>		-	

Due to changes in some of the R&D projects of the Company and its subsidiaries, the Company was not able to fully utilise the proceeds earmarked for R&D expenditure within three years from the date of listing on 24 May 2004. As such, an application was submitted to the SC on 14 May 2007 for an extension of the timeframe for the utilisation of the said balance proceeds of RM608,144 by an additional six months to 24 November 2007. The SC had, via its letter dated 15 June 2007, granted its approval for the Company's application. As at the date of this announcement, the said balance proceeds have been fully utilised.

24. Borrowings and debt securities

The Group's total borrowings, all of which were secured, as at 30 September 2007 were as follows:-

	Short term RM	Long term RM	Total RM
Bank overdraft	2,712,578		2,712,578
Bankers' acceptances and trust receipts	7,059,742	-	7,059,742
Revolving credit	1,361,779	-	1,361,779
Total	<u>11,134,099</u>	-	<u>11,134,099</u>

	RMB	RM equivalent
Short term borrowings denominated in foreign currency: Renminbi	<u>3,000,000</u>	<u>1,361,779</u>

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 balance sheet date of 31 December 2006, except as disclosed below:

- (a) Metronic Engineering Sdn Bhd ("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 seeking UEM to produce finalisation of accounts between UEM and MESB with regards to the project. The hearing for the said application was on 1 October 2007. In the interim, MESB's solicitors had also filed an application by way of writ sepina seeking Daewoo (M) Sdn Bhd ("Daewoo") to produce finalisation of accounts between Daewoo and UEM with regards to the project. Daewoo had on 12 September 2007 produced the said accounts. The Court has fixed 4 and 5 November 2008 as the full hearing date for the suit. MESB's solicitors are 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. On 15 August 2007, the Court has given a postponement to the decision to be made on the Appeal by MESB as to granting extension of time to the Dependency Claim.

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 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.

26. Changes in material litigation (cont'd)

- (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 People's Republic of China ("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 Mal ya 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. On 27 August 2007, the Plaintiff's solicitors filed a further written submission on the issue that it does not matter whether MGB's representative in the PRC, Mr. Li Ji Chang knew English language or otherwise, but he signed the acceptance of completion of the project and the said argument by CWorks is on a point of law.

Meanwhile, on 9 March 2007, the Plaintiff filed an application for summary judgment. 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.

On 30 August 2007, the Deputy Registrar of the High Court of Shah Alam has allowed the Company's application that the Suit by CWorks against the Company to be adjourned indefinitely 'sine die' and the claim by CWorks to be proceeded by the way of arbitration. CWorks has filed an appeal against the Registrar's decision and no hearing date has been fixed as at the date of this announcement.

The Company's solicitors are of the opinion that CWorks' claims are premature in nature and in breach of its contractual obligations.

27. Dividends

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

28. Earnings per share

	3 months ended 30.09.2007	9 months ended 30.09.2007
Profit attributable to ordinary equity holders of the parent (RM)	234,357	2,384,574
Weighted average number of ordinary shares in issue	602,705,369	400,964,568
Earnings per share (sen)		
- Basic	0.04	0.59
- Diluted	0.04	0.59

29. Authorisation for issue

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