



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 JUNE 2008

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2008**

(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		30.06.2008 RM	30.06.2007 RM	30.06.2008 RM	30.06.2007 RM
Revenue		16,621,629	10,986,336	25,727,071	28,041,635
Cost of sales		(14,818,377)	(8,055,731)	(22,177,573)	(20,162,968)
Gross profit		1,803,252	2,930,605	3,549,498	7,878,667
Other operating income		15,891	11,063	21,891	54,085
Administration expenses		(786,528)	(794,871)	(1,713,215)	(1,376,787)
Operating expenses		(3,300,573)	(2,258,736)	(6,305,435)	(4,112,894)
Finance costs		(180,314)	(53,901)	(243,293)	(106,270)
Interest income		35,064	43,802	52,350	61,428
Share of profit of associates		859,129	456,416	1,024,339	456,416
(Loss)/profit before taxation		(1,554,079)	334,378	(3,613,865)	2,854,645
Taxation	20	87,020	(64,200)	95,020	(978,200)
Net (loss)/profit for the period		<u>(1,467,059)</u>	<u>270,178</u>	<u>(3,518,845)</u>	<u>1,876,445</u>
Attributable to:					
Equity holders of the parent		(1,208,238)	415,114	(3,297,347)	2,150,217
Minority interest		(258,821)	(144,936)	(221,498)	(273,772)
		<u>(1,467,059)</u>	<u>270,178</u>	<u>(3,518,845)</u>	<u>1,876,445</u>
Weighted average number of ordinary shares		634,906,903	596,215,828	634,906,903	596,215,828
Earnings per share (sen)					
Basic		(0.19)	0.07	(0.52)	0.36
Diluted		(0.19)	0.07	(0.52)	0.36

The condensed consolidated income statement should be read in conjunction with the annual financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008
(The figures have not been audited)

	Note	As at 30.06.2008 RM	(Audited) As at 30.06.2007 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		10,898,101	10,819,664
Investment properties		391,849	394,483
Intangible assets		3,261,787	3,710,942
Investment in associates		25,378,066	23,686,416
Other investments		489,139	674,484
Deferred tax assets		1,757,440	1,663,440
		<u>42,176,382</u>	<u>40,949,429</u>
CURRENT ASSETS			
Inventories		4,947,325	4,514,394
Trade receivables		98,491,567	98,078,551
Other receivables		3,453,957	2,328,242
Short term deposits		7,459,639	7,370,557
Cash & bank balances		2,192,952	2,874,676
		<u>116,545,440</u>	<u>115,166,420</u>
TOTAL ASSETS		<u>158,721,822</u>	<u>156,115,849</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		63,490,690	63,490,690
Foreign currency translation reserve		964,737	143,993
Retained profit		13,795,517	17,092,864
		<u>78,250,944</u>	<u>80,727,547</u>
Minority interest		599,928	820,375
TOTAL EQUITY		<u>78,850,872</u>	<u>81,547,922</u>
NON-CURRENT LIABILITIES			
Hire purchase payables		95,418	83,800
CURRENT LIABILITIES			
Trade payables		53,517,393	51,985,374
Other payables		13,953,582	13,245,531
Bank borrowings	24	12,304,557	9,246,386
Provision for taxation		-	6,836
		<u>79,775,532</u>	<u>74,484,127</u>
TOTAL LIABILITIES		<u>79,870,950</u>	<u>74,567,927</u>
TOTAL EQUITY AND LIABILITIES		<u>158,721,822</u>	<u>156,115,849</u>

The condensed consolidated balance sheet should be read in conjunction with the annual financial statements for the year ended 31 December 2007 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 SIX-MONTH PERIOD ENDED 30 JUNE 2008
(The figures have not been audited)

	← Attributable to Equity Holders of the Parent →						
	Share Capital RM	Non-Distributable Reserve		Distributable Reserve		Minority Interest RM	Total Equity RM
		Share Premium RM	Foreign Currency Translation Reserve RM	Retained Profit RM	Total RM		
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
Transaction costs	-	(775,779)	-	-	(775,779)	-	(775,779)
Currency translation differences	-	-	124,591	-	124,591	23,004	147,595
Acquisition and subscription of shares in subsidiaries by minority shareholders	-	-	-	-	-	195,668	195,668
Profit for the period	-	-	-	2,150,217	2,150,217	(273,772)	1,876,445
As at 30 June 2007	<u>34,187,294</u>	<u>18,767,033</u>	<u>72,822</u>	<u>28,860,521</u>	<u>81,887,670</u>	<u>1,084,038</u>	<u>82,971,708</u>
As at 1 January 2008	63,490,690	-	143,993	17,092,864	80,727,547	820,375	81,547,922
Currency translation differences	-	-	820,744	-	820,744	2,102	822,846
Subscription of shares in a subsidiary by a minority shareholder	-	-	-	-	-	(1,051)	(1,051)
Loss for the period	-	-	-	(3,297,347)	(3,297,347)	(221,498)	(3,518,845)
As at 30 June 2008	<u>63,490,690</u>	<u>-</u>	<u>964,737</u>	<u>13,795,517</u>	<u>78,250,944</u>	<u>599,928</u>	<u>78,850,872</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 2007 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 SIX-MONTH PERIOD ENDED 30 JUNE 2008**

(The figures have not been audited)

	6 months ended	
	30.06.2008	30.06.2007
	RM	RM
Cash flows used in operating activities	(3,422,121)	(7,147,427)
Cash flows used in investing activities	(415,330)	(1,027,083)
Cash flows from financing activities	<u>1,534,468</u>	<u>7,517,022</u>
Net change in cash and cash equivalents	(2,302,983)	(657,488)
Effects of foreign exchange rate changes	198,257	15,229
Cash and cash equivalents at beginning of the period	(605,530)	3,876,043
Cash and cash equivalents at end of the period	<u><u>(2,710,256)</u></u>	<u><u>3,233,784</u></u>

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

Cash and bank balances	2,192,952	4,838,087
Bank overdraft (Note 24)	(4,903,208)	(1,604,303)
	<u><u>(2,710,256)</u></u>	<u><u>3,233,784</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 30 JUNE 2008 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 annual financial statements for the year ended 31 December 2007. 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 2007.

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 2007 except for the adoption of the following FRSs, Amendments to FRS and Interpretations effective for the financial period beginning on or after 1 July 2007:

Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
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 Interest 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 adoption of the abovementioned FRSs, Amendments to FRS and Interpretations does not have significant financial impact to the Group.

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 2007 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.

8. Dividends

There were no dividends paid during the quarter under review.

9. Segmental information

Analysis by geographical segments:

	3 months ended		6 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	RM	RM	RM	RM
Segment revenue				
Malaysia	14,964,157	7,834,571	22,545,407	24,132,009
Overseas	1,662,553	3,155,442	3,190,918	3,917,307
Total revenue including inter-segment sales	16,626,710	10,990,013	25,736,325	28,049,316
Elimination of inter-segment sales	(5,081)	(3,677)	(9,254)	(7,681)
Total revenue	16,621,629	10,986,336	25,727,071	28,041,635
Segment results				
Malaysia	(1,139,268)	162,308	(2,631,889)	2,948,058
Overseas	(234,497)	225,970	(738,683)	12,856
Total segment results	(1,373,765)	388,278	(3,370,572)	2,960,914
Finance costs	(180,314)	(53,901)	(243,293)	(106,270)
(Loss)/profit before tax	(1,554,079)	334,377	(3,613,865)	2,854,644

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 2007.

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 Note 23, 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 2007.

14. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 June 2008 is as follows:

	30.06.2008 RM
Approved and contracted for:	
- Investment in subsidiary and associates	<u>13,994,336</u>

15. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 31 March 2008 are as follows:

	3 months ended 30.06.2008 RM	6 months ended 30.06.2008 RM
Rental receivable from Metronic Corporation Sdn Bhd, a company in which certain directors have interest	3,000	6,000
Purchases from ITG Worldwide (M) Sdn Bhd ("ITG"), a company in which a director has an interest	55,872	360,895
Rental receivable from ITG	3,000	6,000
Contract and maintenance revenue receivable from MH Projects Sdn Bhd, a common director related company	-	330
Maintenance revenue receivable from Integrated Commerce (M) Sdn Bhd, a company in which a director has an interest	31,790	67,869
Subcontractor fee payable to ER Mekatron Manufacturing Sdn Bhd, a company in which a director has an interest	7,920	454,245
Purchase from Ariantec Sdn Bhd ("Ariantec"), an associate of the Company	-	<u>2,677,393</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****16. Performance review**

The Group recorded a revenue of RM9.11 million for the current quarter under review, which is RM7.95 million or 47% lower than the corresponding quarter of RM17.06 million for the previous financial year, mainly due to lower value of contract works being completed during the current quarter.

The loss before taxation for the current quarter under review is reported at RM2.06 million, compared to profit before tax of RM2.52 million in the corresponding quarter for the previous year. This is mainly due to a drop in revenue and gross profit margin as well as an overall higher overhead costs recorded in the current quarter compared to the corresponding quarter in the previous year.

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

The Group's loss before tax for the current quarter ended 31 March 2008 of RM2.06 million represents an increase of RM0.27 million or 15% compared to the loss before tax of RM1.79 million in the preceding quarter ended 31 December 2007 due to a drop in revenue and lower profit contribution from associates despite the decrease in operating costs for the current quarter under review.

18. Current year prospects

In view of the order book and the potential projects the Group is currently pursuing, the Directors are optimistic that the Group's performance should be able to improve for the remaining quarters of the financial year ending 31 December 2008.

19. Profit forecast or profit guarantee

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

20. Taxation

	3 months ended 30.06.2008 RM	6 months ended 30.06.2008 RM
Income tax expense:		
Malaysian income tax	(1,020)	(1,020)
Deferred tax	(86,000)	(94,000)
	<u>(87,020)</u>	<u>(95,020)</u>

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

Investments in quoted securities as at 31 March 2008 are as follows:

	As at 30.06.2008 RM
At cost	1,094,166
At carrying value	395,139
At market value	<u>767,739</u>

23. 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%).

There has been no changes in the status of the JVC since the last announcement.

(ii) Proposed private placement

MGB had on 15 August 2007 submitted an application to the Securities Commission ("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, which forms part of the Company's Corporate Proposals announced on 14 August 2006, 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 bumiputra 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.

As at the date of this announcement, the Company is yet to identify bumiputra placee(s) to subscribe for the Placement Shares.

23. Status of corporate proposals (cont'd)

(iii) Shares sale agreement with Goldis Berhad

On 30 January 2008, MGB announced that the Company had on even date entered into a Shares Sale Agreement ("Agreement") with Goldis Berhad ("Goldis") for the acquisition of the following shares ("Proposed Acquisition"):-

- 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 Ringgit Malaysia ("RM") 1,055,103;
- 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
- 60,000 preference shares of S\$1.00 each in IPS for a cash consideration of RM134,700 from Goldis.

The total cash consideration for the Proposed Acquisition amounted to RM1,200,000.

The principal activity of IPM is research, development, manufacturing, sale and distribution of electronic products and intelligent facilities management system. The principal activity of IPS is sale of electronic products and intelligent facilities management system. IPS is the registered and beneficial owner of 250,000 ordinary shares of RM1.00 each or 25% in IPM.

Approval of the Foreign Investment Committee has been obtained on 18 April 2008. As at the date of this announcement, both parties are in negotiation to vary the terms and conditions of the Agreement.

24. Borrowings and debt securities

The Group's total borrowings, all of which were secured, as at 30 June 2008 were as follows:-

	Short term RM	Long term RM	Total RM
Bank overdraft	4,903,208	-	4,903,208
Bankers' acceptances	7,401,349	-	7,401,349
Total	<u>12,304,557</u>	-	<u>12,304,557</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 annual balance sheet date of 31 December 2007, except as disclosed below:

- (i) Metronic Engineering Sdn Bhd ("MESB") had on 26 September 2003 made a claim against United Engineers (Malaysia) Bhd ("UEM") for RM939,365 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 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.
- (ii) Lee Bee Leng & two (2) others vs (1) MESB and (2) University Teknologi Petronas ("UTP"). 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 or to be taxed by the court ("Negligence Claim") and special damages amounting to RM403,550 ("Dependency Claim") due to the death of the 1st Plaintiff's husband and 2nd & 3rd Plaintiff's father at UTP job site. The maximum exposure to liabilities of MESB and University Teknologi Petronas is therefore estimated at RM903,550. The Plaintiffs claimed that the death was caused by the alleged negligence of MESB and UTP.

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 Court has fixed 4 September 2008 for Decision for the striking out application.

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. At this point in time, it is difficult to determine liability as the premises was under the control of UTP (2nd Defendant) and till todate no evidence has surfaced as to what cause the accidental carbon dioxide release during testing period. In the opinion of MESB's solicitors, MESB should have a good arguable case.

26. Changes in material litigation (contd.)

- (iii) On 9 January 2007, MGB through its solicitors, received a Writ of Summons and Statement of Claim dated 23 November 2006 with the High Court of Shah Alam issued by CWorks Systems Berhad ("CWorks"). CWorks is claiming an outstanding amount of RM1,751,617 from MGB pursuant to a Software Development Agreement dated 9 May 2005 ("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.

The Company's solicitors had on 16 January 2007 filed a Conditional Appearance challenging the action as not within the Jurisdiction of the High Court of Malaya but any remedy sought by CWorks should be referred to Arbitration under Malaysian Laws. On 30 August 2007, the Deputy Registrar of the High Court of Shah Alam has allowed the Company's application that the Suit by CWorks against the Company to be adjourned indefinitely 'sine die' and the claim by CWorks to be proceeded by the way of arbitration. CWorks has filed an appeal against the Registrar's decision and hearing date has been fixed on 16 June 2008.

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 dividends have been declared or recommended in respect of the quarter under review.

28. Earnings per share

	3 months ended 30.06.2008	6 months ended 30.06.2008
Loss attributable to ordinary equity holders of the parent (RM)	(1,208,238)	(3,297,347)
Weighted average number of ordinary shares in issue	634,906,903	634,906,903
Earnings per share (sen)		
- Basic	(0.19)	(0.52)
- Diluted	(0.19)	(0.52)

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 August 2008.