



# **METRONIC GLOBAL BERHAD**

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

## **INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED**

**31 MARCH 2009**

**METRONIC GLOBAL BERHAD (632068-V)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		31.03.2009 RM	31.03.2008 RM (Restated)	31.03.2009 RM	31.03.2008 RM (Restated)
Revenue		14,043,113	7,471,502	14,043,113	7,471,502
Cost of sales		<u>(10,900,200)</u>	<u>(5,725,256)</u>	<u>(10,900,200)</u>	<u>(5,725,256)</u>
Gross profit		3,142,913	1,746,246	3,142,913	1,746,246
Other operating income		7,949	6,000	7,949	6,000
Administration expenses		(898,580)	(926,687)	(898,580)	(926,687)
Other operating expenses		(2,848,037)	(3,004,862)	(2,848,037)	(3,004,862)
Finance costs		(155,386)	(62,979)	(155,386)	(62,979)
Interest income		39,291	17,286	39,291	17,286
Share of profit of associates		<u>242,410</u>	<u>165,210</u>	<u>242,410</u>	<u>165,210</u>
Loss before taxation		(469,440)	(2,059,786)	(469,440)	(2,059,786)
Income tax expense	18	112,363	8,000	112,363	8,000
Net loss for the period		<u>(357,077)</u>	<u>(2,051,786)</u>	<u>(357,077)</u>	<u>(2,051,786)</u>
Attributable to:					
Equity holders of the parent		(491,514)	(2,089,109)	(491,514)	(2,089,109)
Minority interests		134,437	37,323	134,437	37,323
		<u>(357,077)</u>	<u>(2,051,786)</u>	<u>(357,077)</u>	<u>(2,051,786)</u>
Earnings per share (sen)					
Basic		(0.08)	(0.33)	(0.08)	(0.33)
Diluted		(0.08)	(0.33)	(0.08)	(0.33)

The condensed consolidated income statement should be read in conjunction with the annual financial statements for the year ended 31 December 2008 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 31 MARCH 2009**

(The figures have not been audited)

	Note	As at 31.03.2009 RM	(Audited) As at 31.12.2008 RM
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		11,110,015	10,960,540
Investment properties		387,899	389,216
Intangible assets		3,772,297	2,893,809
Investment in associates		26,086,609	27,924,116
Other investments		536,173	409,482
Deferred tax assets		2,556,503	2,435,376
		<u>44,449,496</u>	<u>45,012,539</u>
<b>CURRENT ASSETS</b>			
Inventories		2,567,356	2,112,637
Trade receivables		84,743,998	86,211,184
Other receivables		2,504,194	3,350,325
Short term deposits		8,792,183	8,173,491
Cash & bank balances		3,310,408	2,791,213
		<u>101,918,139</u>	<u>102,638,850</u>
<b>TOTAL ASSETS</b>		<u>146,367,635</u>	<u>147,651,389</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		63,490,690	63,490,690
Foreign currency translation reserve		2,336,400	1,879,609
Retained profits		9,341,065	9,832,579
		<u>75,168,155</u>	<u>75,202,878</u>
<b>Minority interests</b>		862,128	727,691
<b>TOTAL EQUITY</b>		<u>76,030,283</u>	<u>75,930,569</u>
<b>NON-CURRENT LIABILITIES</b>			
Hire purchase payables		63,370	66,345
<b>CURRENT LIABILITIES</b>			
Trade payables		46,969,699	45,374,457
Other payables		11,602,020	13,549,841
Bank borrowings	22	11,573,868	12,610,782
Provision for taxation		128,395	119,395
		<u>70,273,982</u>	<u>71,654,475</u>
<b>TOTAL LIABILITIES</b>		<u>70,337,352</u>	<u>71,720,820</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>146,367,635</u>	<u>147,651,389</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2009**  
(The figures have not been audited)

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM	Non- Distributable Reserve	Distributable Reserve	Total RM	Minority Interests RM	Total Equity RM
		Foreign Currency Translation Reserve RM	Retained Profits RM			
As at 1 January 2008	63,490,690	143,993	17,092,864	80,727,547	820,375	81,547,922
Currency translation differences	-	156,380	-	156,380	2,102	158,482
Subscription of shares in a subsidiary by a minority shareholder	-	-	-	-	(1,051)	(1,051)
Net (loss)/profit for the period	-	-	(2,089,109)	(2,089,109)	37,323	(2,051,786)
As at 31 March 2008	<u>63,490,690</u>	<u>300,373</u>	<u>15,003,755</u>	<u>78,794,818</u>	<u>858,749</u>	<u>79,653,567</u>
As at 1 January 2009	63,490,690	1,879,609	9,832,579	75,202,878	727,691	75,930,569
Currency translation differences	-	456,791	-	456,791	-	456,791
Net (loss)/profit for the period	-	-	(491,514)	(491,514)	134,437	(357,077)
As at 31 March 2009	<u>63,490,690</u>	<u>2,336,400</u>	<u>9,341,065</u>	<u>75,168,155</u>	<u>862,128</u>	<u>76,030,283</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 2008 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 2009**

(The figures have not been audited)

	3 months ended	
	31.03.2009	31.03.2008
	RM	RM
Cash flows generated from/(used in) operating activities	3,678,790	(2,322,117)
Cash flows used in investing activities	(1,316,430)	(147,507)
Cash flows (used in)/generated from financing activities	<u>(2,022,649)</u>	<u>4,059,548</u>
Net change in cash and cash equivalents	339,711	1,589,924
Effects of foreign exchange rate changes	(184,585)	40,182
Cash and cash equivalents at beginning of the period	931,543	(605,530)
Cash and cash equivalents at end of the period	<u>1,086,669</u>	<u>1,024,576</u>
Cash and cash equivalents at the balance sheet date comprise the following:		
Cash and bank balances	3,310,408	3,260,245
Bank overdraft (Note 22)	-	(2,235,669)
	<u>3,310,408</u>	<u>1,024,576</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2009 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 2008. 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 2008.

#### **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 2008.

The following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

		<b>Effective for financial periods beginning on or after</b>
FRS 4	Insurance Contract	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

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

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

#### **3. 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.

#### 4. 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.

#### 5. Material changes in estimates

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

#### 6. Debt and equity securities

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

#### 7. Dividends

There were no dividends paid during the quarter under review.

#### 8. Segmental information

Analysis by geographical segments:

	3 months ended	
	31.03.2009	31.03.2008
	RM	RM
<b>Segment revenue</b>		
Malaysia	9,722,980	5,947,310
Overseas	4,399,548	1,528,365
Total revenue including inter-segment sales	14,122,528	7,475,675
Elimination of inter-segment sales	(79,415)	(4,173)
Total revenue	14,043,113	7,471,502
<b>Results</b>		
Segment results		
Malaysia	(853,223)	(1,489,194)
Overseas	296,759	(672,823)
Share of profit/(loss) of associates		
Malaysia	284,993	(2,363)
Overseas	(42,583)	167,573
Finance costs	(314,054)	(1,996,807)
Loss before tax	(155,386)	(62,979)
	(469,440)	(2,059,786)

#### 9. Material subsequent events

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

## 10. Changes in the composition of the Group

Save as disclosed in Note 21, there were no changes in the composition of the Group during the current quarter under review except for the following:

- (a) On 6 January 2009, the Company acquired the following shares from Goldis Berhad for a total cash consideration of RM1,200,000:
  - (i) 750,000 ordinary shares of RM1.00 each in IPanel Malaysia Sdn Bhd ("IPM") representing a 75% equity interest in IPM for a cash consideration of Ringgit Malaysia ("RM") 1,055,103;
  - (ii) 136,500 ordinary shares of S\$1.00 each in IPanel Pte Ltd ("IPS") representing a 30% equity interest in IPS for a cash consideration of RM10,197; and
  - (iii) 60,000 preference shares of S\$1.00 each in IPS for a cash consideration of RM134,700.

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.

- (b) On 2 February 2009, the Company entered into a 33 years build, operate and transfer water concession agreement ("BOT Water Concession Agreement") with Lai'An County Water Utility Board ("Water Utility Board"), Anhui Province in the People's Republic of China ("PRC") for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the PRC via a wholly owned foreign subsidiary known as Anhui Lai'An Metronic Water Supply Company Limited which was incorporated on 11 March 2009. The total investment capital was agreed at US Dollar ("US\$") 3,350,000. As at the date of this announcement, the Company has invested US\$36,800 as investment capital.

## 11. 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 2008.

## 12. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 31 March 2009 is as follows:

	<b>31.03.2009</b>
	<b>RM</b>
Approved and contracted for:	
- Investment in subsidiary, outside Malaysia	<u>12,081,584</u>

### 13. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 31 March 2009 are as follows:

	<b>3 months ended 31.03.2009 RM</b>
Rental receivable from Metronic Corporation Sdn Bhd, a company in which certain directors have interest	3,000
Rental receivable from ITG Worldwide (M) Sdn Bhd, a company in which a director has an interest	<u>3,000</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**

**14. Performance review**

The Group recorded a revenue of RM14.04 million for the current quarter under review, which is RM6.57 million or 88% higher than the corresponding quarter of RM7.47 million in the previous financial year, mainly due to higher volume of engineering works being completed.

In line with the increase in revenue, the loss before taxation for the current quarter under review is reported at RM0.47 million, representing an improvement of RM1.59 million or 77%, compared to the loss before tax of RM2.06 million for the corresponding quarter in the previous year.

**15. Material changes in loss 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 2009 of RM0.47 million represents a decrease of RM4.04 million compared to the loss before tax of RM4.51 million in the preceding quarter ended 31 December 2008, mainly due to substantial decrease in operating expenses for the current quarter under review. The high operating expenses for the preceding quarter ended 31 December 2008 was mainly attributable to doubtful debts provided and inventories written down. The improvement in loss before tax, however, was partially offset by a RM1.24 million drop in gross profit as a result of a drop in revenue as well as gross profit margin.

**16. Current year prospects**

Notwithstanding the challenging business environment, the Group have been able to see the positive results from the various strategies and measures taken in the first quarter ended 31 March 2009. The Directors are cautiously optimistic about the Group's performance for the remaining quarters of the financial year ending 31 December 2009.

**17. Profit forecast or profit guarantee**

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

**18. Taxation**

	<b>3 months ended 31.03.2009 RM</b>
Income tax expense:	
Malaysian income tax	9,000
Deferred tax expense	(121,363)
	<hr/> <b>(112,363)</b> <hr/>

**19. Sale of unquoted investments and properties**

Save as disclosed in Note 21(c), there were no sale of unquoted investments and properties for the current quarter under review.

## 20. Marketable securities

Investments in quoted securities as at 31 March 2009 are as follows:

	<b>As at 31.03.2009 RM</b>
At cost	1,059,166
At carrying value	297,277
At market value	<u>551,927</u>

## 21. Status of corporate proposals

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

### (a) 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") with the shareholdings of the respective partners as follows: MGB (50%), Tariq (25%) and Khalid (25%).

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

### (b) 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 bumiputera placee(s) ("Placement Shares") as the identified bumiputera 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.

On 22 September 2008, MGB had, via its advisor, HwangDBS Investment Bank Berhad ("HwangDBS") announced that the SC had vide its letter dated 19 September 2008 approved the application for an extension of time of another one (1) year until 17 August 2009 to comply with the bumiputera equity condition.

As at the date of this announcement, MGB has not been able to identify interested bumiputera investors to place out the Placement Shares.

## 21. Status of corporate proposals (cont'd)

### (c) Disposal of associate

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

## 22. Borrowings and debt securities

The Group's total borrowings, all of which were short term and secured, as at 31 March 2009 were as follows:-

	RM
Bank overdraft	2,223,739
Bankers' acceptances	5,362,069
Revolving loan	3,988,060
Total	<u>11,573,868</u>

## 23. 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.

## 24. 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 2008, 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 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 postponed the full trial date for the suit to 8 and 9 December 2009. MESB's solicitors are of the opinion that MESB has a good chance of succeeding in its claim.

## 24. Changes in material litigation (cont'd.)

- (b) 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 UTP is therefore estimated at RM903,550. The Court had on 14 November 2008 disallowed the Plaintiffs' Dependency Claim, thus reducing MESB and UTP's exposure to RM500,000.

For the Negligence 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. MESB's solicitors have filed an application to strike out the Negligence Claim which has yet to be heard. 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 from MGB pursuant to a Software Development Agreement dated 9 May 2005 for the development and provision of a software for the National Product Code System, the Sale Force System and the Project Management Tool System in the People's Republic of China. The maximum exposure to MGB is estimated at RM1,751,617.

The Company's solicitors had on 16 January 2007 filed a Conditional Appearance challenging the action as not within the Jurisdiction of the High Court of Malaya but any remedy sought by CWorks should be referred to Arbitration under Malaysian Laws. On 30 August 2007, the Deputy Registrar of the High Court of Shah Alam has allowed the Company's application that the Suit by CWorks against the Company to be adjourned indefinitely 'sine die' and the claim by CWorks to be proceeded by the way of arbitration. However, CWorks filed an appeal against the Registrar's decision and the High Court has allowed the appeal and set aside the Order of 'sine die'. The Company's solicitors had filed an appearance and defence as well as counterclaim against CWorks. On 16 February 2009, CWorks solicitors served their reply to the Company's defence and defence to the counterclaim. CWorks has also filed an application for Summary Judgment which is pending hearing.

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

## 25. Dividends

No dividends have been declared or recommended in respect of the quarter under review.

**26. Earnings per share****3 months ended  
31.03.2009**

Loss attributable to ordinary equity holders of the parent (RM)	(491,514)
Weighted average number of ordinary shares in issue	634,906,903
Earnings per share (sen)	
- Basic	(0.08)
- Diluted	(0.08)

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**27. 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 2008 was not subject to any qualification.

**28. 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 May 2009.